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Economic Affairs

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Approach to Market Economy Debated

'Entrepreneurial Initiative' Needed

904A0278A Moscow LITERATURNAYA GAZETA
in Russian No 13, 28 Mar 90 p 14

[Article by Larisa Piyasheva: "Zigzags of Social Tight-rope-Walking"]

[Text]

Prologue: 1989

Nikolay Shmelev: "What... awaits us? The scenario of the development of events was written 200 years ago—as long ago as the French Revolution... A general rationing system, a sharp devaluation of the ruble, a raging of the black market, and a forced...return for some time to the rigid administrative command system await us."

Leonid Abalkin: "I do not even want to discuss this topic. A return would mean a disaster."

Having approved the government program for emergency measures as a whole ("Many of them can be approved. They were worked out by skilled economists headed by Leonid Ivanovich Abalkin. For the first time the government has a concrete plan."), Gavril Popov said further:

"We discussed the existing situation at a meeting of the interregional deputy group and adopted an important decision: to depart from the principle of an immediate introduction of the free market—the very same version discussed in the government report. We put forward the idea of a new version of changes: We agree to bureaucratic administration, but in combination with an immediate introduction of the market... Not the entire economy should be strengthened administratively. Only what concerns the population's life should be strengthened. Ration cards should be introduced and every citizen should be ensured a minimum of consumption with a retention of present prices. A state order for this minimum should be introduced. Everything that is produced in excess of this should go to the free market... The problem of monetary reform has long ceased to be an economic problem—it is a political problem. The reform should be carried out."

We would like to recall that N. I. Ryzhkov's report, "Efficiency, Consolidation, and Reform—the Way to a Healthy Economy," mentioned three versions of reform development: small, partial reforms extended over a period of time; a radical and rapid transition to the market; and the third, in fact, chosen by the government—the adoption of a program for "emergency measures" stabilizing the situation, approval of the 13th Five-Year Plan, and preparation for the transition to market relations approximately in 1993.

Thus, the rebelling interregional group, having unequivocally rejected the pure market choice and, at the same time, all other government versions, settled on a compromise: We are returning to bureaucratic administration in the part concerning the "population's standard of living," retaining state orders, introducing ration cards, according to which we will distribute everything equally to everyone at firm state prices, and carrying out monetary reform—confiscating "unearned income." During "free" time we are organizing a "free" zone out of "free" resources and selling above-plan surplus products at free prices in it.

This idea immediately entered the mentality of democratic candidates, who included in their programs a rationing system and monetary reform—measures, to which, with all their allure for the administrative system, neither N. Ryzhkov nor L. Abalkin agreed and against which our most radically disposed economists—N. Shmelev, V. Selyunin, and others—protested sharply. As a result, the reform's "democratic" version turned out to be much more "conservative" than Ryzhkov's and Abalkin's program for emergency measures, which envisaged only a wage freeze, price control, and return to a 100-percent "state order." Government "conservatives" adopted the program for return to the starting conditions of the beginning of perestroika in order to try to stabilize the situation and to begin a new round of transition to the market. However, "democrats" added to this the not quite democratic idea of a general ration card distribution, having sacrificed the elements of market relations, which had existed in our country even during Brezhnev's stagnant time.

Thus, the circle was closed. The procession to a general ration card bartering and the triumph of the administrative command system, which will guard social justice and watch over both producers, so that they do not conceal anything, and consumers, so that they do not overeat, was completed. Nina Andreyeva won a victory—indisputable and absolute. Indisputable, because the general transition to ration cards will immediately give us back all our "true socialist achievements." And absolute, because the most perestroika-minded democrat from the interregional group—in fact, its leader and cochairman—turned out to be in her crafty hands.

In order to understand everything, let us once again repeat everything from the beginning. A. Aganbegyan's "restructuring and acceleration" program came first. He appeared with it extensively both on national and Western television, propagandized it, traveled, and wrote articles and monographs. The idea was simple: Since internal resources for further extensive development have been exhausted, it is necessary to mobilize part of the resources that have already been activated and to reassign them to machine building, whose retooling will create for us the base for acceleration. This microindustrialization, although carried out at the expense of consumers' stomachs, will ensure acceleration.

It did not.

The government, which was drawn into a new round of economic retooling and was not prepared to give up its vital limits, or to redistribute labor and capital, or to release resources from obsolete and worn out sectors, was forced to resort to the services of the printing press. A tremendous monetary boom became its result: The amount of the national "cabbage" overfilled all the circulation channels and money dropped sharply in its value, while investments and the population's monetary income increased just as sharply. Since there was nowhere to get the goods, raw materials, and supplies necessary for them, we obtained a purely monetary phenomenon—*inflation*, the normal result of activity of the government, which dreamt about *perestroyka* understood not as a change in the economic mechanism, but as acceleration through an immediate restructuring of machine building.

Today the name of the author of the acceleration concept has disappeared from the pages of newspapers and journals, he is no longer shown on television, and is not invited to meetings of congresses of USSR people's deputies or of the Supreme Soviet. The model of "restructuring and acceleration" collapsed. It was replaced with another model with another "hero of the day." L. Abalkin with the Institute of Economics of the USSR Academy of Sciences entrusted to him became the author of the program for "emergency measures" called upon to correct the errors made in the process of restructuring. It would seem that all of the country's economic forces were mobilized for the solution of the new problem with many unknowns: How to get out of the economic crisis, in which we are, without endangering the population's standard of living? We have become accustomed to writing that all Western governments have always "crawled out" of a crisis by worsening workers' situation—"tightening their belts" and rescuing the income of "monopoly octopuses."

At the same time, however, we have become accustomed to reading that during crises the number of bankruptcies reaches a big scale, because the economy "discards" all the accumulated noncompetitiveness, unprofitability, and obsolescence and wear of technologies and equipment. After the release ends, a slow restoration of the equilibrium begins—the unemployed return to work, income begins to grow, and a new investment boom enters into force.

Having found himself in a situation of a classic structural crisis, L. Abalkin, to whom fell the difficult lot of dragging us out of the mire, engaged in ideologizing customary for a political economist: What kind of socialism—with or without a human face—will we build? Does private property correspond to our "socialist achievements" or not? Does exploitation not threaten us in the market economy? Not having fully solved these problems, he proposed a strategy of transition from here to there—from the most difficult structural, market, and spiritual (ideological) crisis to the kingdom of new

socialism with a second wind. According to his intentions, the program for "emergency measures" should give us this "second wind." "We, the government, ask for 1 and 1/2 years of peaceful work. Let us work and then ask us for the result." Having promised to resign in 18 months if his program failed, L. Abalkin announced a "triume formula" for normalization: restraint of economic growth, financial normalization of the national economy, and a sharp intensification in social priorities in economic development.

Having counterposed the idea of deceleration to Aganbegyan's concept of acceleration, L. Abalkin also "missed the mark." Counters continued to be emptied even more rapidly than before his reforms. Under the conditions of stagflation (by the beginning of 1989 our situation had already been such) it was necessary to search for prescriptions for stimulating, not restraining, entrepreneurial activity and for reviving the market, but under the conditions of a tough monetary policy destined to stop inflation.

The strategy of actions was directly opposite: Production seemed to die down, nothing arrived on the consumer market, but available money increased constantly. An impression was created that printing presses operated in three shifts, unrestrainedly flooding purses with ever newer bank notes, which were worth nothing.

With the issued pieces of paper new investment projects began to be launched, wages for party, Soviet, and ministerial-departmental nomenklatura began to be raised, and an "unearned" 13th salary began to be paid to citizens. As a result, our unsteady and fragile, but at least balanced, market, on which not long ago it was still possible to buy—good- or poor-quality items, in line or without it, with a small overpayment or at face value—but, nevertheless, it was possible to buy everything that was necessary for life—products, clothing, furniture, footwear, a pillow with a blanket, and contraceptives—crumbled in front of our eyes. Goods disappeared from stores and almost everywhere society changed over to the principle "you for me and I for you." Ration cards became "...the necessary measure for normalization," which will help us to change over to the new economic model of management.

L. Abalkin's program for financial normalization did not include emergency measures for a radical reduction of state expenditures, did not give up subidizing the unprofitable part of industry and agriculture, did not propose a sharp reduction in state debts and the stopping of printing presses, and did not freeze the construction of new military installations and proving grounds. Hopes were pinned on half-measures. For example, it was proposed to cover half of the sum of the budget deficit by issuing 5-percent obligations (for a period of 15 years) and floating them at enterprises. Could this have gotten us out of the financial crisis?

The "third component" of the "triune formula" of normalization—the problem of the budget's social orientation—was to be solved on credit, through a new increase in emission, by granting inflationary credits not secured by savings, and through an increase in taxes on the population and in the contributions of enterprises for social insurance. This entire "gentlemen's set," which transferred funds from the right pocket to the left, was called "social orientation." The Committee on Economic Reform valiantly reported that, on the whole, for the first time in many decades it was possible to envisage an outstripping growth of state revenues as compared with the increase in expenditures. It was truly necessary to manifest a fantastic "social orientation" in order to be able—in a situation of a structural and market crisis, when receipts into the budget should decrease objectively—to withdraw money from somewhere into the budget with a surplus.

I, for the life of me, cannot understand how it was possible to obtain the "budget's social direction" from such an inflationary program for financial normalization, which continued to depreciate our savings, lowered the purchasing power of the ruble earned today, increased the amount of state debts, and attracted new foreign credits (debts), for which we will have to pay in the very near future. Or should the fact that the economy was forced to condescend slightly to the consumer and, having stopped eating itself entirely, to begin to throw at least something on the consumer market be called a social direction?

And the decision to purchase a significant quantity of raw materials, equipment, and supplies for production—is this also a "social direction"?

Epilogue: 1990

All three economic programs—Aganbegyan's program for "acceleration and restructuring," Abalkin's program for "emergency measures," and Popov's program for "market socialism with ration card distribution"—declared themselves to be socially oriented and protecting the interests of the working population. All three had the slogan "for the good of man." All three promised a rise in well-being. It must be said that all socialist and communist programs without exception have always promised people an economic and social paradise and all our five-year plans have been plans for "meeting constantly growing needs."

I propose as an alternative the program for business protection. World experience has convinced me that one must greatly fear those who promise citizens a rise in well-being. The economy gives food, drink, and clothes to people and the very sought after level of social and economic well-being, which all of us await with such hope, depends on how it functions and to what extent it is protected against interference and pressure, against incompetent manipulation and unbridled planning. The capitalist world experienced several "economic miracles." The release of economic initiative, support for and

stimulation of entrepreneurship, and elimination of obstacles on the path of free investment and capital formation have always been the source and motor of all economic leaps.

Not a single of the mentioned programs gives an answer to the basic question: How to force the economic mechanism to operate in a correct and healthy regime?

In order to enter the path of economic renewal, we do not need "emergency measures" or ration cards, which Hitler and Stalin manipulated so successfully. We need to dismantle the administrative command system of management, to privatize ownership of the means of production and land, retaining only transport, communication, the infrastructure, and military production for the state, to stop the activity of basic institutes of the administrative system—Gosplan, Gossnab, and the State Committee on Prices—and of other bodies, sectorial ministries, and departments regulating and restricting economic life and to establish in their place a new market mechanism of power and property.

The transition to free price formation, a convertible ruble, and commercial credit, adoption of antimonopoly legislation, a tough anti-inflationary policy, and a radical revision of the state budget—these are only few components of this big economic reform—reform which will release the entrepreneurial initiative existing in society and will put the producer into the worthy and respected position of a free, independent, responsible, and flourishing citizen. The principles of economic liberalism have helped many countries—Japan, the FRG, Spain, Italy, South Korea, and Brazil—to travel the road from poverty and ruin to economic and social prosperity in the shortest time. I see no reason why our country, so rich in people, land, and natural resources, cannot enter this path.

Transition Period Recommended

904A0278B Moscow LITERATURNAYA GAZETA
in Russian No 13, 28 Mar 90 p 14

[Article by Aleksandr Levikov: "To Move or To Jump?"]

[Text] If you find a pithy phrase, you do not have to overburden yourself with proofs. Say "it is impossible to be a little pregnant" and it will sweep across cities and spread over all stations: "It is impossible... it is impossible." And it will become transparently clear that socialism and private property, the market and the plan, are incompatible: "It is impossible to be a little pregnant!"

In connection with such an original approach I once had occasion to recall a court case. The defense attorney argued that the accused fat person could not have robbed the store, because, owing to his size, he could not have gone through the hole made in the roof. "If the head goes through, the whole torso will also go through," objected the procurator, who immediately received the following

answer: "The procurator confuses criminal law with gynecology!" Now gynecology has begun to be confused with economics.

In the FRG, where the "social market" concept has been implemented successfully, there is freedom of entrepreneurship, nevertheless almost half of the prices are controlled by the state. Sweden has private property, the market, and competition, but, at the same time, socialism. There is no unemployment, education and public health are free, the level of earnings and pensions is high, there are substantial material allowances for disabled persons and families with children, and 96 percent of the population lives in spacious apartments or individual homes. I would like to add that with the market and capitalism the Swedish Government hardly "rips off" the highest taxes in the world—50 percent of the income from citizens (together with municipal taxes) and 52 percent, from enterprises—and regulates earnings-income ratios. It turns out that sterile purity ("it is impossible to be a little pregnant") in the economy is no more than the fruit of playful imagination.

However, some inflexible authors again and again demand sterility.

Why did Larisa Piyasheva become angry with the "rebeling" interregional group? Because of apostasy: "Having unequivocally rejected the pure market choice and, at the same time, all other government versions, it settled on a compromise..." Compromise rules the world, but it did not win respect there.

What are L. Abalkin and G. Popov blamed for? For the versions of transition to the market. Transition layers are not chemically pure. According to the idea of the author of the article "Zigzags of Social Tightrope-Walking," we must jump, not move, and, if we can, even without squinting. "In order to enter the path of economic renewal, we do not need 'emergency measures' or ration cards... We need to dismantle the administrative command system of management and privatize ownership of the means of production and land, retaining only transport, communication, the infrastructure, and military production for the state..."

L. Piyasheva also adds the liquidation of sectorial ministries and departments and central economic bodies, establishment of a new market mechanism of power and property, transition to free price formation, a convertible ruble, and commercial credit, adoption of antimonopoly legislation, a tough anti-inflationary policy, a radical revision of the state budget, and so forth.

I am ready to sign my name even now to most of the author's demands, which are fully valid. I was also ready earlier, in December 1988, when LITERATURNAYA GAZETA published my article on the need to denationalize property, to create a full-fledged market, and to clear the obstructions on the path of entrepreneurship. It would not be difficult for me to prove that the scientists subjected by L. Piyasheva to such a disparagingly ironic

dressing-down are also advocates of the market, privatization, entrepreneurship, and antimonopoly policy. I have known them for a long time, have followed their oral and printed speeches, and I see that they themselves have often approved of what the author puts forth against them.

Gavril Popov—is he for the preservation of the administrative command system and against dismantling it? Is he an ideologist of "ration card socialism"? I will be very surprised if it turns out that Larisa Piyasheva believes this—more likely, truth has been sacrificed to a gift for polemics.

The label of "creator of the concept of acceleration and restructuring" was attached to Abel Aganbegyan. He allegedly connected it only with investments in machine building "at the expense of consumers' stomachs." If this is true, then, apparently, another academician Aganbegyan with the same last name and a double of the presently exposed and consigned to oblivion ("he is no longer shown on television and is not invited to meetings...") said the following at the All-Union Conference of Economists in the fall of 1986: "The system should be transformed in all its basic elements: Planning, organizational structures, prices, finances, credit, material supply, wages, and income should be changed."

If to believe that Leonid Abalkin (the "emergency measures" label) subsists only on "ideologizing customary for a political economist" and on spreading the good-for-nothing "program for financial normalization," then why is he worried about the most rapid accumulation of the "critical mass" (his expression) as the "totality of necessary and sufficient conditions for the transition to a market economy"? Why in his recent speech before his colleagues at the annual meeting of the Department of Economics of the USSR Academy of Sciences does he ask anxiously: "Prices, taxes, credit policy, and social protection—what else? What?" Why does he participate, together with scientists from a number of institutes, in the development of the government program for antimonopoly measures and, at the same time, the program for business development?

To defend those who do not need defense is a thankless task. In addition, I myself could express some grievances against these scientists. At a recent meeting of a group of journalists with Abalkin I myself told him to his face: "On what do you count, Leonid Ivanovich? 'Normalization measures' are only pills, but the patient needs surgery." Nor do I see sense in monetary reform, toward which G. Popov is inclined for political, not economic, reasons. Nevertheless, moral considerations do not let me keep silent when colleagues of scientists, who are guilty only of the fact that they have expressed ideas and have assumed responsibility, begin to blame them decisively for everything that happens in our unhappy home—for empty counters, for inflation, for the decline in the standard of living, and for the failure of reforms...

Even if the idea of reconstruction in machine building was not realized in the country, even if the "1 and ½ years of peaceful work" requested by Abalkin did not expire yet, even if Popov's idea of ration cards for the population's social protection "in combination with an immediate introduction of the market" was completely rejected, it is all the same, it is all the same—they should be brought to the pillory, they are guilty! Not the monopoly of state property and party rule, which tore the country apart; not the 70-year ideological deception of the people, which gave rise to millions and millions of furious opponents of the market and private property, who were prepared for self-destruction in the name of the "purity of principles"; not the train of our national economy racing rapidly downhill beginning with the 9th Five-Year Plan, which, quite naturally, was derailed at the end of the road; not the USSR state budget deficit, about which I. Birman published an article in the West as long ago as the end of the 1970's; not the resistance of the opponents of perestroika of every rank and stripe, but only proposals and attempts by several scientists to find a way out of an awkward situation—they are the true Satans, they are the ones to be screamed at: "Go away!"

It is delightful how the merciless accusations of the most leftist radicals are amazingly close to the accusations of the most rightist conservatives.

The premises of both are quite similar. "... Inflation is growing... A decline in the workers' standard of living..." (Doctor of Economic Sciences, Prof A. A. Sergeyev, member of the Coordinating Council of the Moscow Association of Scientific Communism, which forms part of the Workers' United Front); "... Goods disappeared from stores..., inflation..." (L. Piyasheva).

It goes without saying that the reasons for and steps to get out of the crisis mentioned by them are directly opposite: "I propose as an alternative the program for business protection..., privatization of property..., release of the entrepreneurial initiative existing in society..." (L. Piyasheva). "Now, in fact, public management is being dismantled, the planning element is being undermined..., the economic basis of our system—public property—is being undermined... The chase after profit has intensified in all spheres..." (A. A. Sergeyev).

And who are their scapegoats? The same! All the faces are familiar: Abalkin, Popov, and Aganbegyan—Piyasheva's; Abalkin, Popov, Shmelev, Zaslavskaya, and Bunich—Sergeyev's. Apparently, he left out Selyunin, only because in the same issue of the newspaper of Kievskiy Rayon in the city of Moscow, VYBOR, from where I cite the statements by the "member of the Coordinating Council of the Association of Scientific Communism," Vasiliy Selyunin was given a much greater honor. In the lead article the editorial department suggests that its readers make a choice "between the realistic program of sensible politicians and scientists... and the very radical prescriptions of sponsors (like V. Selyunin and others) of a free capital and manpower

market, an unrestrained rise in prices, introduction of private property and unemployment, and legalization of the 'shady' economy..."

Using Larisa Piyasheva's words, "thus, the circle was closed." However, the difference between both texts and the authors, of course, is vast. The publications, which L. Piyasheva favors for their democratic devotion, the representative of the "Association for Scientific Communism" lists in the category of those "inflaming Russophobia." A. Kozin, who talked to him, was curious: "Who specifically, except Central Television, engages in this?" The answer was not worse than the question: "First of all, the authors of OGONEK, LITERATURNAYA GAZETA, ARGUMENTY I FAKTY, and MOSKOVSKIYE NOVOSTI".... However, this is a good circle!

The campaign against the scientists suits both the "meeting" and bureaucrats: There is someone to blame.

When "leftists" and "rightists," as though conspiring, hit the same people, I recall a humorous story, which I read in childhood, about how soccer is played in Bavaria: "A neutral judge from Nuremberg was the first to fall. He received a blow on both sides of his skull simultaneously. Dying, he managed to shout: 'Off side!'"

It is no longer interesting to argue with dogmatists. Their hopes for mother-state property, for the "plan-order," for quotations from Marx and Lenin, for "cornerstones," and for the "economy of holy cows" can no longer be taken seriously. I hope that my last article on this topic will be published in the April booklet of ZNAMYA. I solemnly promise not to refute moss-covered myths any longer—it is time to take up new ones. Let those who "starve voluntarily" remain convinced that only what is bad for the whole world is good for our country and our people. They cannot be dragged by force into modern civilization! And why try to explain to them about entrepreneurship if to them it is the same as cooperative workers and, consequently, the "shady economy," "restoration," and "destruction of principles".... Expressing their ideas, Prof A. Sergeyev, "coordinator of the Association of Scientific Communism," demands an "urgent adoption of economic and legal, including criminal-legal, measures in order to put an end..."

An argument among advocates of the market is another matter. I assume that it should not be reduced to senseless and petty squabbling, ambitions, and clarification after the fact of "who proved to be cleverer." Anyhow, the person who prefers not to assume responsibility, but to observe and judge from the side, will be the "cleverest."

I think that the person who takes it upon himself to criticize proposals connected with the mechanism of transition to the market should answer, even if to himself, several direct questions.

1. Does he have proofs that specialists incorrectly forecast a 8- to 12-fold price leap during an immediate

transition "to free price formation" in the present complex situation? And, in his opinion, what will be the real price takeoff? What should the umbrella of social protection represent? Who should be protected and how? With the budget deficit, where should money be taken for this program?

2. Is it possible to change over to the market without convertible currency, not implementing full denationalization, in the absence of almost all the elements of the normal market mechanism, with an unmet demand of 165 million rubles, with the impossibility of receiving Western credits (they are no longer given without a guarantee), with the uncompetitiveness of our products, and with the technological lag of most national economic sectors? But if we undertake all this and organize and renew everything, within what time is it possible to "introduce splendor"? And how quickly (in 1, 2, or 3 years...) will the market itself introduce order?

3. What will happen on the political scene if the market is proclaimed "tomorrow"? Should a referendum be held beforehand, or does someone take it upon himself to guarantee public tranquillity? In brief, should we expect a "hunger riot" or not?

My opinion: A transitional period is needed in order to avoid caisson disease. I know that a number of Western authorities, for example, D. Galbraith, or the English professor A. Nove, warn about the danger and risk in throwing ourselves headlong into an abyss. "The patient can recover from such ventilation," says Alec Nove, having in mind our wish to change over to the market more rapidly, "but he can also die." Let specialists say what should the specific transitional mechanism be, if it is needed, and how to carry out the "launching." They should not shake each other by their forelocks—there is no time for this. It is much more important to spend it on a search for a consensus.

In conclusion, I will permit myself to cite L. Abalkin's idea, which seems correct to me: "It will not be possible to change over to a market economy free of charge. Society will have to pay a high price. Losses due to inflation and unemployment are inevitable. What should society take upon itself? Pensioners, students, people with low salaries, and servicemen... And the rest? Perhaps freedom will serve as compensation for them? Freedom to choose forms of labor and property, freedom of entrepreneurship?"

More Radical Measures for Market Economy Debated

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in Russian No 13, Mar 90 pp 3, 4-5

[Article by L. Tsvetkov, chief specialist of the Information Department of the USSR Council of Ministers: "Toward a Market Economy"]

[Text] Questions associated with accelerating the transition to a planned-market economy were discussed on 17

March at a general conference conducted by the chairman of the USSR Council of Ministers, N.I. Ryzhkov. More than 60 managers of industrial associations and enterprises, kolkhoz chairmen and sovkhoz directors, and also representatives of ministries and departments, and members of the Presidium of the USSR Council of Ministers took part in the search for optimum ways to intensify reforms in production and the social sphere.

There was a detailed discussion on how to model a more effective mechanism of carrying out the governmental program of improving the national economy and to bring nearer the implementation of the planned measures in it, and chiefly, achievement of the expected results.

Previous issues of PRAVITELSTVENNYY VESTNIK talked about how implementation of the program to improve the economy is proceeding. We will try to summarize. Some progress on a number of important positions is unquestionable. But at the same time, the economy continues to suffer from such destabilizing factors as the population's monetary income considerably outpacing the increase in production volume and national income as a whole, weakening of contract discipline, large losses of work time due to strikes and interethnic conflicts, and others.

Briefly describing at the beginning of the meeting the worsening economic situation during the first months of 1990, Yu.D. Maslyukov, first deputy chairman of the USSR Council of Ministers and chairman of the USSR Gosplan, stated that we have two paths out of the situation that has taken shape:

"One is to return to the old system of planning and old indicators, strictly allocate all resources, and repeal the beginnings of market relations. Thus, in 1 year we will end up where we were in 1985. Even if we severely criticize the Gosplan, we nevertheless would know that the national economy is more or less balanced. However, this would mean going back to the beginning of what the country has already covered in 4 years. And, of course, all of society and the economy itself would gain nothing from this. Only the second path is acceptable—the path toward a commodity-money relationship and a market economy..."

Of course, none of the conference participants considered the purely hypothetical variant—the possibility of returning to the old system—as a serious alternative to moving toward a market economy. It is a different matter that the specific steps for getting out of the interim situation between directive-planning and planned-market systems of economic management seem varied to the specialists.

At What Pace?

The following was heard in one of the addresses at the Extraordinary Third Session of the USSR People's Deputies: Let us repeal all mandatory deliveries this year. Production output, they say, still will not leave the

country, and if it does end up on the open market, it will be only a small portion of it.

With all the debatableness of the claims that the output will not go anywhere, let us not reject out of hand the proposal itself just on the grounds that it is unusually radical. Ultimately, what is freedom of enterprise without the right to dispose of the products of one's labor? After all, this freedom is essentially a labor collective's primary compensation for the risk of economic management in market conditions. It is not the need for this freedom, but the time periods, stages, and depth of its implementation that are the subject of polemics today.

Let us remember with what fervor some economists and columnists spoke out and how harshly they raised the question, advancing a categorical formula: plan or market. The echoes of these theoretical and columnist battles are still being heard today. They are in the late articles by orthodox authors, like those who organically do not accept the idea of a regulated market in the USSR, as well as those for whom any market sticks in their throat. These echoes are in various proposals, including this type: immediately abandon the ruble and rely only on the fact that the market "will regulate itself."

It was so interesting to learn the opinions of the economic managers who gathered at the Council of Ministers—representatives of enterprises. The supporters of a market economy, irreconcilable to any plan, more or less care namely about their freedoms. But what do the economic managers themselves think?

P.V. Sakovich, director of the Kherson Cotton Combine:

"The unanimous opinion has been expressed: we need to switch to a market economy. It is generally difficult to object to this. The only thing I would like to say is: do not pursue a picture."

A.S. Tsubarenko, general director of the Ryazan Machine Tool Building Association of the USSR Ministry of the Machine Tool and Tool Building Industry:

"I think that all of us sitting here will live to see a full-fledged market, and this will be normal working conditions. But we cannot switch to it right away. I understand that the government is now pushing for decisive steps to accelerate this matter, but we still need a weighted approach here and should not be hasty."

The leader of the conference, N.I. Ryzhkov, with the concurrence of those in attendance, let the directors have their say first of all. And perhaps the only position on which the opinion of everyone who spoke coincided was not to rush headlong into the market element. Those who spoke could hardly be suspected of now becoming complete conservatives, being the first to be bruised against the sharp corners of the rigid commercial regulations. These are people who bear the entire burden of responsibility to their labor collectives and the country—a responsibility instilled to constantly look to tomorrow.

Maybe that is precisely why they sense more keenly than other directors the instability of the pseudo-revolutionary phrases and precocious economic proposals taken out of context of the transitional stage to a market economy.

For all that, the conversation at the conference was constructive. Each of the practical tasks was examined by the directors from the standpoint of how to organize the transition to a planned-market economy so as not to drag it out. It was also in this tone that the block of questions associated with measures to unlink state management of the economy in accordance with the fundamental laws on ownership, land, and leasing was discussed.

The problem is complex, above all because of its novelty for our specialists. It is clear that it is impossible to discuss it fully within the limits of one conference. Only the basic approaches were covered. Just what are they?

We must develop conditions, procedures, and time periods for conducting specific measures to transform individual objects of state ownership into collective, cooperative, and joint-stock ownership and ownership of various companies. Those gathered together showed special interest in the question of the limits of unlinking state management. The opinion was expressed that we cannot effectively regulate an economy with a predominance of market elements unless the state retains control of energy, transportation, the defense complex, and certain other sectors.

The question of breaking up a number of large associations is also being placed on the agenda, particularly those which, as they say, have been thrown together hastily and formed on a formal basis. If the collectives of the broken up enterprises consider it advisable, they themselves will unite, for example, into joint-stock companies. The main thing is for people to feel that they are indeed the owners and physically see what their ownership is.

One of the most effective ways for this is leasing. For example, I.F. Anyukhovskiy, general director of the "Slavich" Pereslavskiy Association of the USSR Ministry of the Petroleum Refining and Petrochemical Industry, noted: "They operated for 1 year under leasing, and people were already seriously concerned about questions of increasing state property, which in the end they could buy and make collective property. Society also will be none the worse for it: During this same year, the volume of production increased by one-fourth (before the increases were 3-4 percent), and the addition of consumer goods amounted to 21 million rubles."

Toward a Plan-Regulator

A real expansion of the rights of enterprises is closely linked to the practice of planning. Therefore, questions of what and how to plan produced a particularly lively discussion at the conference.

The economic model, which has been called a planned-market model and the formation of which must be brought nearer, reflects that profound point that in the new conditions of economic management, too, the state cannot abandon centralized influence on social and economic development. Strictly speaking, we did not originate this. All Western countries that are traditionally market-based countries do the same. However, our country's advocates of a "pure" market, considering what is done in the West to be the pattern, cannot at all agree with the same order of things in our country.

Surprisingly, for several years now we have been turning the comprehensive and all-encompassing plan-directive into a flexible plan-regulator, but the advocates of a market economy have not stopped their attacks on the planning centers. From this standpoint, it is also interesting to learn the opinion of the directors, those very ones who up to now some of our columnists have been "defending" against plan advocates.

Here are the most typical statements.

V.I. Zaytsev, general director of the "Mashinostroitel" Association of the USSR Ministry of General Machine Building in the city of Omsk:

"It seems to me that we are forgetting that Western companies are learning planning from us. Planning agencies there operate and regulate the market fairly effectively."

Yu.A. Peskov, general director of "Rostselmash":

"I see it this way: No one will abolish planned regulation of the economy. Someone has to provide the balance..."

Partiality toward the traditional way things are organized? Certainly not. The directors are well informed about the new ideology of planning. Incidentally, no one has been keeping it a secret. The specialists of the planning committee have been trying to tell about it every chance they get, and it is not their fault that some of the out-and-out critics have plugged their ears. Briefly, the ideology is such. Avoid assigning quotas for each type of product. Focus attention on formulating goals of social and economic development, identifying the necessary priorities, and developing the appropriate structural and investment policy. The main levers of implementing it are a flexible system of economic regulators, price formation, taxes, benefits, sanctions, interest rates, and so forth.

Various opinions were expressed at the conference about the optimal planning time periods. Some specialists believe that they can "see" in the plan with a fair degree of reliability only next year, 1991. Others are inclined to operate under a 2-year plan. But such short-term plans do not suit everyone. For example, suppliers of large-sized equipment with a long manufacturing cycle like to view their future 5 or even 10 years ahead.

It seems that the representatives of the USSR Gosplan feel more confident than everyone else in these arguments. The goals, priorities, macroproportions, structural changes in the interests of social reorientation of the economy, that is, everything that comprises the main content of the plan in its new understanding as it applies to market relations—everything was worked up by them back when the government was submitting to the Second Congress of People's Deputies its program for improving the health of the national economy. Proposals on the main economic regulators are under consideration either in the Supreme Soviet or in the government. So, if market relations develop considerably already next year, the planners have a pretty good beginning ready.

State order was another key question that interested the all-conference participants. It is unacceptable for a market economy as it operates now. But it is not so simple to just abandon it: It largely supports the nationwide proportions, on which our social protection is largely dependent.

For the time being, we have been adhering to the tactic of a gradual reduction in the volumes of such neutralized quotas. But that 5-10 percent of the products, which for a number of enterprises, such as the fuel and energy complex, it has been possible to withdraw from the area of effect of the state order, took considerable efforts. As a supplier, an enterprise is usually interested in free marketing of products. But as a receiver, it very often insists that all supplies under state order be centrally guaranteed to him. Again, this is easier to do through state order. As you can see, it has not been possible to radically reduce the volumes of mandatory quotas "from above" without help "from below."

All in all, the conference participants understood that the size of the state order must be decreased in the interests of developing a market. To what level? It was suggested that in the near future to bring the proportion of freely distributed resources for certain types of products to 30 percent, for example. In the opinion of V.V. Zavalnyy, general director of the Kharkov "Tochpribor" Association, the state order should be 100 percent for consumer goods, both food and non-food goods. There are other approaches, too. Let us assume that each national economic complex can select several determining types of resources and control only their production through state order.

Initially, it is possible that we will have to do that. But the proposal to return to the original idea of state order is still more promising, which we all discussed with great interest when the Law on State Enterprise was being passed. At that time it was thought that in the end this would be a contract-order, issued on a competitive basis and guaranteed priority supply on the part of the state. Apparently, a return to this idea is also envisioned by those who today spoke in favor of "delivery and work for nationwide needs" on the basis of contractual agreements. Another interesting thought: mandatory delivery by the union republics of food products and agricultural

raw materials for nationwide needs can be accomplished in the form of a tax in kind. So, from all appearances, the state order is not at all a fatal inevitability interfering with the transition to a market economy.

A Bloc of Social Protection

Expanding the sphere of market relations cannot be painless—it must be approached with open eyes. The threat of high prices, inflation, bankruptcies, unemployment, and, as a consequence, a possible increase in social tension—all these are probabilities which we must consider. But will the blows of negative phenomena necessarily rain down full force on society? Is it possible, if not to prevent them, to soften them? These questions, which concern all of us, of course, were also at the center of attention at the conference. We had to go back to them again and again, no matter what the topic: the serious toughening of the financial and credit policy or taxes, demonopolization of the economy or changes in planning. Of course, these problems came up with all sharpness as soon as someone touched up the system of price formation.

The scale of application of free prices, although not the only one, is one of the most significant characteristic of developing a market economy. And almost the most important obstacle to creating it is our existing system of prices and tariffs, which, according to data of experts, requires subsidies from the budget amounting to 110 billion rubles to maintain, and this sum is increasing from year to year. Distorted wholesale prices (for example, in the fuel and energy complex they are understated by almost a half), purchase prices structured according to purely cost principles, and retail prices needing annual subsidies require immediate and fundamental reforms.

"We are firmly convinced," N.I. Ryzhkov said at the conference, "that we cannot hold out much longer with these prices and this price formation. We have lost time. Under pressure of public opinion, we did not reform prices, and this should have been done 2 years ago."

How will events develop? We could, of course, give all commodity producers full freedom to set prices and make state enterprises equal in this sense to cooperatives and "individuals." But the consequences could be most unforeseen. There is no guarantee that the low-income sections of the population will not feel the brunt of the price blow.

Another way is to conduct price reform under state control. In principle, in the opinion of many who spoke, this is a possibility, although for tariffs and wholesale prices for the most important types of resources.

In the area of retail prices, price increases can be compensated for by introducing surcharges and by increasing pensions, benefits, and other monetary payments. However, everything is not so simple here either, especially from the standpoint of determining the amount of compensation payments. Experts, however,

propose introducing a population income indexing system and using it to maintain the real content of pensions, stipends, benefits, and wages.

But we must find compensation sources. And they must be sufficiently reliable. After all, this involves sums that are not to be taken lightly—many billions of rubles. Given all the difficulties, all conference participants firmly adhered to the opinion that categories of the population which particularly need social protection (pensioners, the disabled, children, and others) should receive the full amount of this compensation.

The question of questions was how to regulate more reliably the transition to market relations in the area of supplying food. We already noted that we can be ensured the necessary food resources only by introducing a tax in kind. Various variants of deducting it were proposed, including, for example, according to the availability and quality of the land. In any case, however, it is thought that state purchase prices will be established only for products received as payment for tax in kind. The rest will go to the sphere of free market circulation.

Putting order in tariffs and wholesale, purchase, and retail prices is only part of the problem, and maybe not the most complex part. We need a fundamentally new price formation procedure which would be supported by the entire system of planned-market relations. The way to it, in the opinion of the conference participants, is through democratization of the price formation process and a substantial expansion of the rights of enterprises and economic organizations in this area. In the addresses of A.Ya. Ignatovaya, director of the Shakhtinskiy Cotton Combine, V.I. Zaytsev, director of the "Mashinostroitel" Production Association, and D.A. Starodubtsev, director of a sovkhoz in Yaroslavl Oblast and a people's deputy, and in the statements of many other conference participants, the idea of democratization of price formation was usually accompanied by another: we should simultaneously increase control of price discipline. Market relations are not at all a justification for runaway prices. There is a reason that in some capitalist countries with a developed market economy price control is sometimes far more severe than in our country: the fines are more severe, and criminal liability has even been introduced.

Selection Criteria

"Don't create a market with favorites." This statement was thrown out by one of those who spoke, having in mind the special situation for many production managers today. Many of them were elected directors in their labor collectives—and somehow there was no enthusiasm heard about it. On the contrary, more often than not, the managers talked about a certain ambiguity of their situation: it is difficult to build plans for the future and implement them if a sword of Damocles of a possible re-election is hanging over you. And this applies not only to directors. Many plants and factories elect other officials, too, up to and including foremen. With

the development of market relations, when quick, out-of-the-ordinary, and sometimes unpopular decisions are required, the endless coordination with the plant public opinion are increasingly perceived as hobbles for enterprise.

Yu.A. Peskov (Rostselmash) said:

"They summon me to the party committee, and I report to them. Later, I also report to the trade union committee. Then I again report to the labor collective soviet. More often than not, it is on the same issues. To whom and why is this comedy needed? Isn't it time to find out: maybe it is enough for us to have either the trade union committee or the labor collective soviet, but not both at once?

The level of economic thinking in conditions of market interrelations is another issue around which there was lively debate. Apparently, conference participants said, we cannot consider the method of "retraining" to have proven its value when they simply throw the manager into the stormy waters of the market: if you come to the surface, you are lucky. In this regard, a suggestion was made about a well-prepared, not lengthy, but effective training which not only organizers of production but also workers and employees should go through in the next few months. The market has demanded, and we are not afraid of this word, nationwide retraining. And much work needs to be done now at the center and locally on an appropriate system of job placement and retraining of personnel, one that encompasses all levels, beginning with the enterprises and rayons.

In summing up the results of the conference, N.I. Ryzhkov again returned to the thought that we have virtually no choice between going back and moving toward a market economy:

"I am satisfied that many comrades are united in the opinion that we must go forward and make more radical decisions. We have matured for this.

"The way out of the existing difficulties is in a decisive rejection of administrative-command methods and an energetic transition to economic methods of management, in achieving on this basis a balance in the national economy and a qualitatively new level of responsibility and discipline at enterprises and in organizations, and in creating as quickly as possible the laws and other standard acts needed to form a planned-market economy. All this will ensure dynamic development of the national economy, democratize economic relations in the country, and create a firm base for continuing and intensifying political reforms in the society.

"One can consider the meeting just held to be the first," N.I. Ryzhkov said in conclusion. "In my opinion, in the near future we have to continue consulting various experts, above all, representatives of financial agencies and banking, workers of material and technical supply, and others."

Ministries Blamed For Impeding Introduction of Leasing

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Second Edition p 1

[Article by S. Alekseyev and P. Bunich, people's deputies of the USSR: "Why Are Laws Needed?"]

[Text] Laws are adopted so that they can be carried out, achieve the planned goal and produce the desired results.

The Law on Leasing is not being carried out.

At the present time, many discussions are taking place concerning a "group of economic laws." Thus they will be adopted in March and April and then... Alas, many reasoned that this same subject would be covered during the second congress. Yes, the Law on Property, the Law on Taxes and other laws aimed at strengthening the economic reform are very important. The authors of these lines, which defend the sources for the very idea of developing a group of new laws, confirm this fact in a persistent manner.

But the entire matter has to do with the fact that the principal (yes, the principal) law of this group, one which makes it possible to truly commence implementing the economic reform and forming trade-marketing economics, has already been adopted! This is the Law on Leasing in the USSR, which the committees and people's deputies hastened to approve prior to the end of the 2d Session of the USSR Supreme Soviet, such that, commencing on 1 January of this year, it would begin changing the property attitudes and in this manner overcome the state monopoly over property and departmental dictates and confirm genuine economic freedom in society, that is, to change sharply and immediately the economic situation in the country and convert over to a highly profitable economy.

And this is precisely the law that is not being carried out.

The question of leasing is a question of authority. Authority over the means of production (which must belong: either-or—either to the departments or to the workers themselves). However, judging from all appearances, the departments are simply not releasing economic authority over the means of production—and this is the basis for any authority—without a struggle. This year, the Ministry of Finance does not intend to present the leaseholders with a taxation system, and without this the people fear that they will again somehow fall under the authority of subjectivism.

The branch ministries are boldly rejecting leasing even for enterprises of the light industry, not to mention heavy industry. They are rejecting it for USSR people's deputies, and what about the remaining people and organizations. There are many stagnant facts and yet here are some deserving ones. Many individuals are losing heart. Some are being discharged from work. Entire collectives that dared to hesitate in the matter of leasing are being reorganized. An "ideology" for such

resistance has arisen. It is said that leasing is still not freedom; it is something but not that. Meanwhile, how can it not be freedom if leaseholders are practically completely independent. The term "leasing program" has appeared (once again, it is said that it is a campaign somewhat similar to "collectivization").

Not having studied the law, nor mastered its contents, attempts nevertheless are already being made to defame it and debunk it under the overall heading of fashionable nihilism. Quite absurd voices are being heard insisting that collective (public) ownership is reviving exploitation and that Russia must be rescued from leasing...by retaining stable state ownership and selecting good directors for it. Unfortunately, this has all had an effect on the country's economic management.

The new draft laws contain statutes which are in conflict with the Law on Leasing, which was recently adopted in a serious manner and for a long period of time. The planned scales for leasing, from one public forum to another, have been lowered 3-4 times. The voices are becoming stronger—leasing is not a panacea and there is no need for haste.

Why should we hurry? For perestroika? For converting over to a dynamic self-regulating economy and dismantling of the administrative-departmental system?

We intend to take advantage of our "official position" and, if necessary, raise as quickly as possible before the USSR Supreme Soviet the question of organizing an open public hearing on the breakdown in carrying out the Law on Leasing and instituting criminal proceedings against the guilty parties before the USSR Supreme Soviet.

Our chief hope is that of launching a broad national movement (not a "leasing campaign," but rather a broad national movement "from below") for converting worker organizations at state enterprises over to leasing.

It is believed that the movement "for leasing" can become a unified and united platform for labor collectives, the party, trade unions and for many informal organizations. It bears mentioning that it will immediately become clear who is who and just who possesses genuine interests and computations. With regard to the labor collectives—do they truly wish to be masters of production, to undertake risks and to accept responsibility, or do they consider it to be an easier and trouble-free task, just as in the past, to intensify their social requirements which are directed upwards for satisfaction?

With regard to the ministries and other departments—are they truly oriented towards the development of economic methods or do they begrudge the thought of creating only a camouflage in this regard, while limiting themselves mainly to stimulating intra-farm leasing?

With regard to party, trade union, komsomol and other mass organizations—are they prepared to do battle in

order to acquire economic authority over the workers and, when necessary, engaging in conflict with the departments, or is a calm official life more to their liking?

With regard to informal organizations—here, finally, is practical work. Yes, and work which has to do with authority. Or would it be simpler and more convenient for you to hold endless meetings and summon and curse party functionaries?

The time is at hand for decisive actions.

Council of Ministers Issues Decrees on Leasing

'Temporary' Statute on Budget Payments

904A0294A Moscow EKONOMIKA I ZHIZN
in Russian No 13, Mar 90 p 23

[Temporary statute put into effect by the USSR Council of Ministers on 20 March 1990 and signed by N. Ryzhkov, chairman, and M. Shkabardnya, administrative director, of the USSR Council of Ministers: "Temporary Statute on Payments Into the Budget in 1990 by Leased Enterprises"]

[Text] In Decree No 279, dated 20 March 1990, the USSR Council of Ministers has put into effect the "Temporary Statute on Payments Into the Budget in 1990 by Leased Enterprises." The USSR Council of Ministers adopted another decree (No 280) that same day: "On Procedure for Leasing of Union-Level Enterprises (Associations) and Their Property."

In response to numerous requests of our readers, we are publishing the texts of these documents.

Decree of the USSR Council of Ministers: On Adoption of the Temporary Statute on Payments Into the Budget in 1990 by Leased Enterprises

Pursuant to the decree of the USSR Supreme Soviet, dated 23 November 1989 and entitled "On Procedure for Putting Into Effect the Bases of Legislation of the USSR and the Union Republics on Leasing," the USSR Council of Ministers hereby DECREES the following:

1. The Temporary Statute on Payments Into the Budget in 1990 by Leased Enterprises is hereby adopted. The conditions envisaged by this Statute are valid until the USSR Law entitled "On Taxes of State, Leased, Cooperative, Public, and Other Enterprises, Associations, and Organizations" takes effect.
2. It is hereby provided that leased enterprises formed before the Bases of Leasing Legislation of the USSR and the Union Republics take effect shall make payments into the budget in accordance with leases previously concluded. When the lease is amended and brought into conformity with those Bases of Legislation, payments into the budget are determined on the basis of this Statute.

3. When state authorities and organizations granted the rights of lessors lease the property of state enterprises (associations) to cooperatives and other organizations and conclude leases, they shall not allow reduction of the amount of payments into the budget nor reduction of deductions into centralized funds and reserves envisaged by the obligations of the state enterprises being leased in order to guarantee fulfillment of sectorwide and national economic programs in 1990.

4. In order to stimulate the leasing of enterprises operating at low profitability or a loss, when leases are concluded, the lessors shall retain the allocations envisaged from the budget for those enterprises in 1990 and also appropriations from centralized funds and reserves created by USSR ministries and departments.

Temporary Statute on Payments Into the Budget in 1990 by Leased Enterprises

1. Leased enterprises created on the basis of the leasing of state enterprises, associations, or their structural units, and also the property of subdivisions of state enterprises and associations (excepting state agricultural enterprises) make the following payments into the budget:

- a) the turnover tax (according to the procedure and under the conditions established by legislation for state enterprises);
- b) payments stated in absolute amounts on the basis of the level of the charge on productive assets and deductions from calculated profit (income) adopted in the initial data for determination of standard economic rates and allowances in 1990;
- c) the charge on labor resources, water, and other payments (including taxes) envisaged by legislation for state enterprises in 1990.

In addition, leased enterprises pay into the budget 30 percent of profit (10 percent of income) over and above amounts adopted in the initial data for 1990 for state enterprises being leased, but not more than the standard rate of deductions from calculated profit (income) established for those enterprises. These payments are to be made into the budget according to the same procedure by leased enterprises created on the basis of state enterprises (excepting sovkhozes and other agricultural enterprises and municipal service and everyday service enterprises) to which standard rates of deductions from profit (income) into the budget were not assigned before they were leased.

Leased enterprises created in light industry make payments into the budget from profit (income) according to the procedure established for state enterprises in that sector.

The procedure for calculating and collecting the payments of leased enterprises into the budget and oversight over the completeness and correctness of their payments is established by the USSR Ministry of Finance.

2. When there are changes in centrally established prices, rate schedules, and rates of the charge on labor resources, payments into the budget out of the proceeds from the sale of products (jobs, services) stated in absolute amounts are converted on the basis of calculated profit (income) and the established standard rates and allowances adopted in the initial data for 1990 for state enterprises which have been leased.

3. Leased enterprises created on the basis of state enterprises which before they were leased had been granted the right to establish temporary supplements to retail prices for new products of improved quality and also negotiated prices for the first experimental production runs and particularly fashionable products pay into the budget 50 percent of the amount realized from the application of these temporary supplements to retail prices and from the additional profit on goods sold at negotiated prices.

4. Leased enterprises created on the basis of the leasing of enterprises of public organizations and also sovkhozes and other state agricultural enterprises (including those which have been liquidated) make payments into the budget according to the procedure and in the amount established for those enterprises before they were leased.

5. When leased enterprises sell at state prices products produced in accordance with the state order, they are reimbursed the price difference of agricultural raw materials and finished products according to the procedure established for state enterprises.

6. Leased enterprises pay tax on the growth of resources earmarked for remuneration of labor according to the procedure established by legislation on taxation of organizations of lessees.

7. Leased enterprises submit to financial authorities relevant documents and calculations for the purpose of oversight over the correctness and completeness of computation of payments into the budget. In case of a violation of the procedure for calculating and making payments into the budget, leased enterprises shall be subject to the penalties established by legislation for state enterprises.

Enterprise Leasing Rights Reaffirmed

904A0294B Moscow EKONOMIKA I ZHIZN
in Russian No 13, Mar 90 p 23

[Decree of the USSR Council of Ministers adopted 20 March 1990 and signed by N. Ryzhkov, chairman, and M. Shkabardnya, administrative director, of the USSR Council of Ministers: "On Procedure for the Leasing of Union-Level Enterprises (Associations) and Their Property"]

[Text] The USSR Council of Ministers notes that in accordance with the program of the USSR Government on measures for recovery of the economy, the stages of the economic reform, and the fundamental approaches

to drafting the 13th FYP, which has been approved by the Second USSR Congress of People's Deputies, it is indispensable to bring about the economic, legal, and organizational conditions for extensive development of multiple forms of ownership.

Favorable opportunities for invigoration of the creative initiative and enterprise of the workers and for a rise of the productivity of social labor can be brought about using leasing and leasing relations, which are becoming ever more widespread in all sector and spheres of the economy.

At the same time, there have been cases of unjustified refusals of administrative bodies to conclude contracts between leasing enterprises and their property to work collectives.

In order to remove economically unjustified obstacles to the development of leasing relations in the economy, and pursuant to the decree of the USSR Supreme Soviet dated 23 November 1989 and entitled "On Procedure for Putting Into Effect the Bases of Leasing Legislation of the USSR and the Union Republics," the USSR Council of Ministers DECREES as follows:

1. Enterprises (associations) under union jurisdiction may be leased with or without the right to buy property in all branches of material production and in the non-production sphere, with the exception of a portion of enterprises (associations) in the defense branches of industry, communications, transportation, and the fuel and energy complex, as well as the USSR Ministry of Defense, the USSR Ministry of Internal Affairs, the USSR Committee for State Security, USSR banks, and certain enterprises in other sectors of the economy the specific nature and character of whose activity predetermine a high degree of centralization of their management.

2. Permanent bodies of the USSR Council of Ministers are ordered to determine within 1 month, upon representation of USSR ministries and departments which administer them, the types (groups) of enterprises and associations under union jurisdiction and the types of property whose leasing is not allowed, and also to envisage cases of restriction or prohibition of purchase of leased property.

USSR ministries and departments, state concerns, inter-sector state associations, and other large organizational structures not administered by permanent bodies are to prepare proposals to the same effect and submit them within 1 week to the USSR Council of Ministers.

These decisions are made in the form of orders of the USSR Council of Ministers.

3. When state enterprises (associations) under union jurisdiction are leased, USSR ministries, departments, and other state administrative bodies with direct jurisdiction over those enterprises (associations) figure as their lessors.

In the leasing of structural units and independent enterprises which are part of production, scientific-production, and other associations to which the USSR Law on the State Enterprise (Association) applies, the associations of which they are a part figure as the lessors.

In the case of leasing enterprises (associations) which have left USSR ministries and departments and become part of state concerns, intersector state associations, and other large organizational structures, the governing bodies of those associations figure as the lessors with consent of the relevant permanent bodies of the USSR Council of Ministers.

Commentary on Decrees

904A0294C Moscow EKONOMIKA I ZHIZN
in Russian No 14, Apr 90 p 21

[Interview with Stanislav Vasilyevich Assekritov, deputy chairman of the State Commission of the USSR Council of Ministers for the Economic Reform, by Nataliya Prikhodko: "Leasing for Everyone? or..."; date and place not given]

[Text] Decrees of the USSR Council of Ministers entitled "On Adoption of the Temporary Statute on Payments Into the Budget in 1990 by Leased Enterprises" and "On Procedure for Leasing of Union-Level Enterprises (Associations) and Their Property," adopted 20 March of this year, were published in No 13 of EKONOMIKA I ZHIZN. These documents have been arousing great interest and response from the newspaper's readership. Today S.V. Assekritov, deputy chairman of the State Commission of the USSR Council of Ministers for the Economic Reform, answers the questions of the newspaper's correspondent Nataliya Prikhodko concerning the practical implementation of the new decisions of the government.

[Prikhodko] Stanislav Vasilyevich, it would seem possible to breathe easier now: The official documents on development of leasing relations so long anticipated by production people have finally been adopted. But no. Again a number of economists have made statements in the press and on television sounding the alarm about the fate of the Law on Leasing; many feel that it is mired down, and they do not go along with the idea that the gate of leasing should not be open to everyone, not by any means. Incidentally, this topic was also raised in sharp terms at a meeting in the Hall of Columns of the Trade Union Center the other day between editors of our newspaper and workers of Moscow enterprises who read it. To be honest, I myself am also bothered by the idea of how one is to square Article 3 of the Bases of Leasing Legislation, which states that leasing is permitted in all sectors of the economy, with that "black list," as production people have aptly termed it, of enterprises for which the road to leasing is blocked....

[Assekritov] I did not know that they referred to that list as a "black list." But after all it does not even exist as yet. Decree No 280 of the USSR Council of Ministers, dated

20 March, merely issued an order to ministries to prepare proposals and to determine the types (groups) of enterprises which for the time being may not be leased.

Well, and now to the heart of the matter. As a matter of fact, the law states that leasing is permitted in all sectors of the economy. And this basic requirement was set down and has been observed in the decree of the USSR Council of Ministers on the procedure for leasing enterprises.

After all, exceptions are envisaged even by that Article 3 of the legislation on leasing, which you have already quoted. It states that groups of enterprises and also types of property whose leasing is not permitted must be determined. This has resulted from a number of factors; after all, there are enterprises which require a special management regime, where more rigid centralization of many functions is indispensable. The decree of the government defines a limited range of branches in which some enterprises are subject to those requirements. They are the defense branches of industry, communications, transportation, the fuel and energy complex, the system of the Ministry of Defense, the Ministry of Internal Affairs, and also institutions of USSR banks.

[Prikhodko] But isn't this restrictive list related to the second step which can follow leasing, that is, the purchase of enterprises?

[Assekritov] Precisely so. Unfortunately, many heads of ministries and even our central economic authorities have equated the leasing of enterprises with inevitable purchase. That is, they have not seen the difference between leasing as a form of economic activity and purchase, which involves a change in the form of ownership. After all, a purchase is not even necessary everywhere. The state cannot organize a "sale" of enterprises and property of systems like the electric power system, transportation, communications, etc. A coal mine, for instance, can be leased. But without the right of purchase, since the interior of the earth always remains state property.

[Prikhodko] Which means that the resistance of ministries is explained in terms of insufficient understanding of the very essence of leasing relations?

[Assekritov] In many cases that is so. In preparing the decree, the Council of Ministers received a great number of proposals for drawing up the prohibitive list, which actually might be called a "black list." For instance, in the first stage practically all ministries proposed prohibiting the leasing of imported equipment. Yet we have entire branches which operate as a rule with imported equipment. The result would be that they could not be leased solely because we have not developed our own machinebuilding? And there were many such problems.

A broad explanatory effort, not to say a struggle, had to be conducted and the legal rights of enterprises defended. Incidentally, this largely explains the delay in adoption of the government decree.

[Prikhodko] Can we conclude that the ministries are simply afraid of losing the reins of management?

[Assekritov] Of course. After all, today enterprises are assigned state orders, they have obligations for product deliveries and cooperative relations. And certain ministries have felt that as soon as the enterprise is leased, it loses contact with it, it will not be able to monitor its activity any longer, and that means that the economy will collapse.

This is clearly a mistaken position, since by entering into contractual relations with the leasing collective, the ministry is essentially strengthening its economic connections with the enterprise. What is more, these connections take on the character not of administrative commands, but a truly economic character because the contract always contains the mutual responsibility of the parties. I should mention that the Bases of Leasing Legislation emphasize that the leased enterprise must in the lease take responsibility to fill the state order and orders for the sale of products under economic relations that already exist.

So that the ministry's arguments against leasing largely proved unsound when checked out.

[Prikhodko] So, the ministries which figure as the lessors are now deciding the destiny of work collectives. Yet it is well-known that it is precisely the choice of the ministry as the lessor that is drawing the fire of criticism from many economists. I think you are familiar, to be specific, with the article on this topic by P. Bunich, president of the Alliance of Lessees and Collective Owners of the USSR, in ARGUMENTY I FAKTY published last week. What can you say about that?

[Assekritov] The Bases of Leasing Legislation state that the owner figures as the lessor, that is right. But after all, the owner may delegate that right to a specific management body, and this is envisaged by the law. The government may and deemed it necessary to transfer that right to its immediately subordinate bodies of state administration, specifically—USSR ministries and departments. What is more, those powers may be acquired not only by ministries, but also by state concerns, associations, and other bodies.

[Prikhodko] And now the president of the Alliance of Lessees is making another proposal—to create a specific body that would administer state property and transfer to it the role of the lessor.

[Assekritov] But why, this is a problem that in essence has already been solved, since the decree of the Supreme Soviet on putting into effect the Law on Property issues a direct order to the Council of Ministers—by 1 July of this year it must prepare a proposal on creation of a state body empowered to manage property which is under the ownership of the entire union.

But in my view this does not mean that we must wait for creation of such a body and stay the conclusion of leases:

after all, if there is no special body, then there is no one with whom to conclude it. Is it a necessity that those wanting to lease must wait? Especially since in this area the laws on both leasing and on ownership now grant work collectives very broad rights. We might mention, for example, Article 24 of the Law on Ownership—the one about the property of the state enterprise. It states that if the body of the state authorized to manage state property decides to reorganize or liquidate a state enterprise....

[Prikhodko] Excuse my interruption, but such a situation has arisen quite often precisely because the collective has decided to lease—immediately the superior body decided to shut down that enterprise and discharge the director. Our newspaper has written repeatedly about such cases. I will merely mention such articles as "A Special Case?" "Challenge," and "How Cost Accounting Was 'Smothered' in the Forest."...

[Assekritov] So now under Article 24 the work collective is entitled in this case to demand that the enterprise be leased or transformed into a new enterprise based on collective ownership. And disputes in this case are settled by state arbitration.

You are right, there have been more than enough conflict situations. We have also received a great many requests, telephone calls, people asking for help in saving an enterprise which is being liquidated. I repeat, the State Arbitration Commission is now watching out for the interests of collectives. Bans on leasing will be limited to that list which will come out in a month. I would mention only that it affects only union-level enterprises. Issues must be settled locally for other enterprises.

[Prikhodko] And now about the payments of leasing collectives. Many economists have disagreed with lessees still being subject to previous payments into the budget this year.

[Assekritov] This was done exclusively on the grounds that the budget for 1990, which, as is well-known, was adopted with an immense deficit, includes the performance of a large set of interrelated social measures. And to reduce payments, even in negligible amounts, for leasing collectives would seem to be wrong from both the political and economic standpoint. Why try to create some conditions for leasing collectives that we know to be preferential? Enterprises in all forms of economic activity which today we are beginning to develop actively—cooperative forms, leased forms, and joint stock forms—must operate under the same conditions.

We cannot fail to mention that even with our large budget deficit the government made a decision for 1990 that makes it possible to create favorable economic conditions for the collective of leased enterprises formed on the basis of the land and property of kolkhozes and sovkhozes. It is permitted to write off the debt of those kolkhozes and sovkhozes under delinquent loans from banks, and these amounts will be added to the state domestic debt. This is really a big step specifically aimed

to strengthen the desire of enterprises to go over to leasing. In this case, the state, as you see, is forgiving the debts, and these debts are not small. This simply has to be mentioned.

[Prikhodko] And the last question. It is repeated very frequently in the letters to the editors from readers: Why has the order which the Supreme Soviet issued to the Council of Ministers not been carried out about the drafting of a piece of legislation on the taxation of leased enterprises? After all, the deadline was 1 February 1990.

[Assekritov] That problem was resolved in the Law on Taxes on State, Leased, Cooperative, Public, and Other Enterprises and Organizations, which will be taken up very soon in a session of the Supreme Soviet.

Many economists have been proposing that this law go into effect earlier, beginning even this year. And not only for leased enterprises. In principle, this is possible. But the tax system is linked to other measures to intensify the reform. They include the revision of prices and the restructuring of credit policy and radical transformations of the financial-and-budget planning of regions, and so on. That is, a set of interrelated problems arise. They have to be worked out naturally and simultaneously.

Enterprises Charged With 'Group Selfishness,' Economic Destabilization

904A0280A Moscow EKONOMIKA I ZHIZN in Russian No 13, Mar 90 p 7

[Article by A. Komin, doctor of economic sciences: "Freedom and Need for Economy"]

[Text] It is indisputable that all of us are now under the euphoria of freedom. This also applies to the economy. The destruction of the administrative command system of management and the maximum (including absolute) granting of rights in the adoption of economic decisions to enterprises and cooperatives and in the area of individual labor activity have been the main directions in all our transformations in the last three years. And if the slogan "Do Everything That Is Not Prohibited" is added to this, the scale of democratization of economic management becomes even clearer. The adopted laws on leasing, land, and property lead economic life in the same direction.

Entering the path of economic democratization, we intended primarily to unleash the initiative of enterprises, economic organizations, workers, and the population as a whole in the development of the production of goods and services by uncovering potentials, changing the attitude toward labor, and increasing its intensity and productivity. It is quite clear that only through this is it possible to extricate the economy from the crisis of the unbalance and to lend it dynamism and accelerated rates of development. However, these hopes have not yet

come true. Contradictions, disproportions, and destabilization are growing. Whereas previously under conditions of an acute shortage economic relations, including material and technical supply, were regulated by the administrative mechanism, its destruction and the attempt to introduce principles of free market relations have disrupted physical and material ties already strained to the limit. This has immediately led to an even greater unbalance. It has become aggravated by the financial unbalance and the growth of the budget deficit. We are losing control over wages and have begun to lose it over prices. There is an intensification of inflationary processes, whose potentials have been growing for a long time and have been restrained by administrative command methods of management.

There is no denying that the administrative economy exhausted itself a long time ago and should be replaced with the market economy, because there is no other alternative. The question is: By what methods and means should we change from one system of management to another? The tactics of the practical realization of these tasks can be varied and opinions differ here.

It must be admitted that all of us were enticed by the easiest and most painless path, through which such very complex problems as the elimination of deformations and contradictions in prices, finances, and wages and of disproportions between financial and material-technical resources could be solved by themselves. We wanted to advance with an accelerated march along the path of solution of urgent social problems and, at the same time, to assign part of the resources from the rise in production for balancing the economy. However, these hopes turned out to be unrealistic and were not backed by any scientific substantiations and economic calculations.

Moreover, by 1986 the practice of life prepared for the economy "surprises," which by no means facilitated the accomplishment of the tasks set, but, conversely, greatly aggravated the prospects for economic development. First, the economy felt vast losses in connection with the drop in world prices of petroleum and other energy and raw-material goods, which turned out to be irreplaceable. Second, we ourselves did vast damage to the stability of the economy and the market with the incompetently conducted antialcohol campaign. Losses proved to be bigger than savings: Home distilling began and coupons for sugar had to be introduced. As a result of the effect of both factors, irreparable damage was done to the budget, amounting to a minimum of 70 to 75 billion rubles during the first two years of the five-year plan alone. Naturally, this greatly undermined, first of all, the internal consumer market.

Under these conditions, the path of granting economic freedom to enterprises and organizations proved to be not only unrealistic, but also aggravated the disorder of the economic market. The adopted new economic mechanism granted enterprises real rights to receive unearned income. Cooperatives with their unprecedentedly high earnings, whose derivation is connected primarily with

commerciality, have also contributed to this. Furthermore, our propaganda has done good work in proving that we live worse than everyone else in the world and have long deserved a higher standard and that there are all the grounds and possibilities for this through the "miracles" of redistributing the use of national income alone, that is, "without putting a hand to this." As a result, in the last two years the rates of growth of monetary income have comprised 23 percent, while the rates of growth of production volumes have been minimal.

What demands do enterprises make under these conditions? As before, the fire of criticism is directed at ministries as bureaucratic bodies hampering an efficient organization of work. First, enterprises complain that ministries impose on them excessive production plans. How much talk there has been about lowering the share of the state order! The entire content of the Law on the Enterprise is directed precisely at their adoption of maximum plans for production growth, which should ensure high wage rates. In fact, however, enterprises "have learned" to receive a wage fund even without great efforts in work.

Second, the complaints of enterprises are directed at the regulation and interference on the part of ministries and financial bodies in the distribution and use of profit. This is also a matter of principle. With the financial unbalance and the budget deficit it is necessary to establish strict financial control over the activity of enterprises and economic organizations, which is also important for strengthening the role of the state budget. In our country, however, everything is the other way round. The role and significance of the state budget are reduced, while the financial opportunities of enterprises and republic and local budgets are increased. So far the lower strata have the upper hand in "pulling the rope" and this makes all our attempts to reduce and eliminate the budget deficit hopeless.

Not only the management system is guilty of the loss of control over the wage increase. The formation of a certain technical control service-director tandem, which has dealt a blow to the principle of one-man management in production organization, is reflected here. Whereas previously the line of state control over the economic activity of enterprises was pursued through management, now enterprises directly oppose state interests. The technical control system and the management are united in their attempts to wring out more wage and material incentive funds. The transfer of scientific research institutes and planning-design organizations to so-called cost accounting, which has enabled managers and key workers to receive 20 to 50 salary bonuses and more, has shown this in an especially vivid manner. So far there is no restraining regulator protecting statewide interests. How much fuss and talk about a progressive scale of taxing the wage increase approved by the USSR Supreme Soviet there has been! Ultimately, however, both the expectations that this tax will help to cope with

the unsubstantiated growth of the wage fund and the fears of an unsubstantiated wage freeze proved to be groundless.

The second direction of the criticism on the part of enterprises concerns material and technical supply. Yes, it has worsened and, first of all, its stability and guarantee have decreased. There are objective reasons for this. The administrative command system is also being dismantled here. Wholesale trade, which is supposed to replace this system under shortage conditions, does not and cannot come about. The lowered discipline of deliveries and strikes should be added to this. Of course, all this destabilizes the economy.

If the above-stated is summed up, enterprises demand more and more economic freedom. It is also a matter of applying the rules of the Law on Cooperatives to them. The question of a free price setting is raised now. For the time being it is a question of products produced in excess of the state plan. The principle is very simple: Everyone wants to have not only freedom in economic activity, but also a guarantee of the growth of earnings regardless of the results of work. Such a tendency leads to an ever greater instability of the economy, increase in disproportions, and strengthening of inflation. Under these conditions an expanded application of contractual and free prices is especially dangerous. Economists and managers, who believe that in this way it is possible to create a market and to balance production with consumption, are deeply mistaken. This is a disastrous road in economy. With the disordered financial system and growing shortage, free prices are a direct path to inflation in a geometrical progression, because we do not yet have any deterrents in this process. Every enterprise, striving to increase its profit at the expense of a rise in prices, receives from its subcontractors raw materials and supplies at the same higher prices and, therefore, there is the process of a general growth of expenditures and production volumes at the expense of the price factor. Only through centralized state measures to freeze wages or to stabilize prices and, ultimately, by holding back or even lowering the people's standard of living, is it possible to get off such a path. To date, Poland's and Hungary's example has shown this most vividly. Even before this there were many such examples in the history of capitalist countries.

Under the conditions of granting more extensive economic rights and intensification of the unbalance and shortage, the producer's dictate has strengthened even more. But we have aspired precisely to something else—to the strengthening of the consumer's position, which has always been the weakest link in our economic system. Refusal to conclude contracts, confidence that any product will be sold, and ultimatums for a price rise—all this is manifested to an ever greater extent in the activity of our enterprises. This also works to destabilize the economy. As an antidote to this, autarchic tendencies—the attempt by republics, regions, and individual enterprises to guarantee their economic interests, beginning from the introduction of the ideas of regional

cost accounting and ending with the revival of physical exchange operations—are intensifying. Instead of a market based on commodity-money relationships, we increasingly slip into rudimentary forms of commodity exchange, when timber is exchanged for fruits and meat, metal for cement, and so forth.

Granting enterprises the rights to have access to the international market should also be added to this. In practice, scarce and valuable products (primarily raw materials) are sold in order to buy foreign cars, video systems, television sets, tights, clothing, perfumery products, and other consumer goods. Of course, such an uncoordinated access to international trade cannot be efficient—we sell at a cheap price, but buy at an extremely high price. In our country there are many cases of setting understated retail prices of motor vehicles, refrigerators, and radio equipment purchased by enterprises abroad. Things went so far that the USSR State Committee on Prices was forced to deprive local bodies of the right to set retail prices of these goods. A general picture of an inefficient sale of national wealth emerges from individual cases.

Another approach is also observed: Enterprises come out in favor of high wholesale prices of their products and, at the same time, of low retail prices if the price includes the turnover tax. With such an approach, the turnover tax is considered the income of the same enterprise, but since it is not transferred to it, it is possible, by reducing it, to also lower the retail price of a car, a refrigerator, or another produced commodity, especially as the workers of this enterprise have the priority right to purchase it, which is very important under conditions of the increasing commodity shortage. The fact that in our country many goods, primarily foodstuffs, are sold at unprofitable prices is considered self-evident. However, it is quite clear: In order to maintain an equilibrium and a balance in the economy on condition that many goods are subsidized, it is also mandatory to have highly profitable goods. The state should receive this income. But if every collective continues to believe that the turnover tax is the result of its efficient work and, consequently, should belong to it, we will never solve the budget deficit problem.

In the final analysis, we modestly call these phenomena the manifestation of group egoism. In fact, this egoism is developing into the economic extremism of individual regions, enterprises, and sectors. Its essence is based on the monopoly consolidation of favorable economic conditions, which have already been created, and their use for one's own interests. However, economic objectivity is such that so-called starting conditions in different enterprises and regions are not the same. In particular, this is connected both with objective conditions and with the real economic situation of our management, which, among other things, has been created as a result of the subjectivism and voluntarism allowed in its practice. Therefore, to consolidate these unequal starting conditions now means to reproduce the unfair redistribution of economic benefits on an expanded scale. If we follow

such a path, some will receive everything, others will receive something, and still others, nothing. This will lead not only to additional social and economic, but also political, tension.

Experiment With Concerns Deemed Successful

904A0280B Moscow *EKONOMIKA I ZHIZN* in
Russian No 13, Mar 90 p 6

[Article by B. Milner, first deputy director of the Institute of Economics of the USSR Academy of Sciences, doctor of economic sciences, professor: "Was the Escape From Departmental Captivity Successful?"]

[Text] The existing experience in the operation of the first Soviet concerns already makes it possible to judge how successful their attempt to escape from departmental captivity is. Both this experience and an analysis of the practice of managing large organizational structures make it possible to also see clearly the shortcomings and characteristics inherent in them, which, in time, if they are not counteracted, can do serious damage to the cause of increase in production efficiency.

Large structures have an obvious tendency toward linear growth, bureaucratic procedures, self-reproduction on a rising scale, and involvement of an ever greater number of people and volumes of material and financial resources. It is important to utilize all the known ways and means to overcome structural-managerial distortions: decentralization of decision making, the price and incentive mechanism, and economic responsibility of every producer for the results of work. The development of a socialist market will be of key importance, which will help to overcome the hypertrophy of vertical ties in the economy. We must not allow concerns to be transformed into mini-ministries and departmental monopolism, into the monopolism of voluntary associations of enterprises. We must see to it that the same types of products are produced at several enterprises, and state orders are placed on a competitive basis. It is advisable to support with every measure the formation of parallel structures with similar specialization and product and technological assortment and associations of final consumers possessing rights to control consumer properties of products and to affect producers by means of a system of economic and legal measures.

The organization of multichannel trade in material and technical resources and granting the consumer the right and real opportunity to choose the supplier of finished products are of great importance. The interests of the cause demand the development of competitiveness in the process of financing and crediting, including the allocation of resources for production expansion according to the principle of the competitive system and intensification of differentiation under conditions of crediting with due regard for the results of economic activity. There should be no place for direct and hidden subsidies for producers and the setting of monopoly

prices. The use of foreign economic relations to stimulate competition for improving the quality of output and reducing production costs would also contribute to overcoming the monopolism of producers.

What do we see in practice? Several hundreds of proposals for the establishment of concerns and economic associations—sectorial, intersectorial, and territorial—have now been submitted. Dozens of concerns are at the stage of formation. The experience of the first Soviet nondepartmental concerns—Tekhnokhim, Energomash, Kvantemp, and other intersectorial state associations—gives every reason to consider such economic organizations as fully meeting the conditions and needs of the present stage in the development of the socialist economy.

In concerns, the fulfillment of contractual obligations for deliveries of products is higher than, on the average, in machine-building and chemical-timber complexes and much higher than in the ministries, from which they have withdrawn. The possibility of managing without ministries has been demonstrated in reality, and the volume of directive papers has been virtually reduced to naught.

For example, the realization of a unified scientific-technical strategic program for the development of new products has begun in Energomash. Life gives rise to new forms of cooperative interrelations of enterprises. For example, Elektrosila, the Izhorskii Plant, and the Leningrad Metal Plant, when filling an urgent order from the GDR, flexibly maneuvered production capacities. A number of large-scale scientific and technical programs promising vast benefits was created in Tekhnokhim. Mutual technical, financial, information, and other assistance is being practised firmly. Right now it is clear that through an efficient use of areas and the accumulated experience, it is fully realistic to greatly increase the output of goods in popular demand. The independence of enterprises in decision making has increased sharply. They flexibly use leasing, the contract, and the development of cooperatives. The striving to solve long-term complex scientific-technical problems requiring large material and financial resources, not only current production problems, has increased.

By the very fact of their successful work concerns signify a breakthrough in the rigidly constructed sectorial and ministerial system of management. It has been estimated that with the withdrawal of enterprises from the structure of ministries, their ties with almost 800 management functions, on which decisions were previously made in ministries, have come abruptly to an end. It turns out that it is possible to manage without approximately one-third of the ministerial functions, which are being abolished completely. Another part has entered the competence of the enterprises themselves. There is still a group of functions requiring a transition to the new forms and methods of economic activity. In concerns, many functions are transferred to cost-accounting principles. For example, cost-accounting associations and

centers engaged in problems of information, supply, and sales and joint-stock commercial banks have been established.

The new form of management is compatible neither with the obsolete schemes of centralized planning, nor with the monopoly system of allocation of resources, nor with sectorial principles of distribution of capital investments. However, concerns have turned out to be "islands in the ocean" of old orders, procedures, and instructions. Ministries, from which enterprises have withdrawn, have not ensured conditions for the fulfillment of their long-term obligations resulting from previously adopted governmental decisions. Material and technical supply bodies actively counteract any changes in the activity of their territorial services for the provision of concerns with resources on a new basis. Planning and financial bodies do not want to take into consideration the special conditions of functioning of nonministerial structures.

The first concerns have succeeded more in organizing new types of their internal relationships than those with state bodies, departments, and other "external" organizations. The main barrier, which hampers the activity of new types of economic organizations, lies precisely in the sphere of these relations.

It seems that a concern should be able to directly interact with appropriate services of the USSR Gosplan, the USSR Gossnab, other central economic departments, and local bodies on matters previously decided by sectorial ministries. It is advisable to establish a procedure, under which the USSR Gosplan ensures the formation and presentation of state orders, as well as corresponding limits, to intersectorial state associations, the USSR Ministry of Finance establishes profit plans and normatives, and the USSR Gossnab provides material and technical supply for enterprises and associations of intersectorial state associations according to the entire products list assigned to it on the basis of wholesale trade through its territorial bodies—by the place of location of supplier enterprises.

For now all this is not so. Central departments persistently demand consolidated claims and consolidated reporting and impose general allocations and normatives so that their volitional redistribution may take place later at the level of management of the intersectorial state association. The fact that, owing to its nature, the intersectorial state association cannot and should not command the resources, reserves, and profit of enterprises united voluntarily as equal partners is ignored. The USSR State Committee for Statistics has not yet taken any measures to change statistical reporting. In practice, the relations of concerns with state bodies and departments have no legal regulation. Problems concerning the financing by ministries of projects, whose establishment was begun—in accordance with government acts—before the formation of intersectorial state associations, have not been solved at a number of enterprises of concerns.

As is evident, resistance on the part of the apparatus devoted to old methods continues. Attempts are even made to intentionally discredit the activity of concerns.

Before the formation of wholesale trade in the country it is advisable to organize overall material and technical provision for enterprises of concerns (including capital construction and production retooling) through territorial USSR Gossnab bodies on a cost-accounting basis. Since the production-economic and scientific-technical activity of the intersectorial state association is of an intersectorial nature, its relations with sectorial ministries should be regulated on a contractual basis. This concerns scientific and technical support and specialized production of products, units, and parts, intrasectorial cooperation, development of uniform technical and economic norms of the use of raw materials, supplies, and semifinished products for sectors, retention of production ties, and information services.

The consolidated ministries themselves should become bodies for restructuring processes, headquarters for systematic transformations in organizational structures of management, and guarantors of the observance of economic independence and rights of enterprises. They are called upon to form a new system of economic relations based on the use of economic levers. However paradoxical it may be, precisely ministries should promote the withdrawal of enterprises from them, their transformation into leasing, cooperative, and joint-stock enterprises, and their inclusion in intersectorial state associations, unions, and concerns.

The generalization of the first experience in the functioning of new structures, which introduce radical changes in the entire system of distribution of functions and responsibility in economic management, gives grounds for determining fundamental directions in the further development of restructuring in the basic national economic link. This requires a special discussion.

Specialists Debate Magnitude, Activities of Shadow Economy

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[Interviews in the form of a roundtable discussion of Yu. Artemyev, senior specialist of the USSR Ministry of Internal Affairs; P. Goncharov, manager of the Krasnopravenskiy branch of USSR Zhilotsbank in Moscow; A. Zaychenko, consultant of the State Commission of the USSR Council of Ministers for the Economic Reform; Yu. Kozlov, laboratory head in the School of Law at Moscow State University; A. Larkov, sector head in the All-Union Scientific Research Institute of the USSR Procurator's Office; N. Piskareva, scientific associate of the All-Union Scientific Research Institute of the USSR Ministry of Internal Affairs; and A. Shokhin, adviser on economic affairs to the USSR Minister of Foreign Affairs, by Ye. Kolesnikova and G. Lomanov: "The

Shadow Economy: Portrait Against the Background of Perestroyka"; date and place not given]

[Text] The article on the underground millionaires (PRAVITELSTVENNY VESTNIK, No 4, 1990) evoked a notable response from both readers and specialists. It is not surprising that the problems of the shadow economy disturb everyone. After all, each of us feels its influence to some extent. That is why we decided to continue the discussion, especially since this is an extremely multifaceted phenomenon.

On the initiative of the editors, specialists who have been studying various aspects of the shadow economy for years gathered at the "roundtable." The participants in the discussion were Yu. Artemyev, senior specialist of the USSR Ministry of Internal Affairs; P. Goncharov, manager of the Krasnopresenskiy branch of USSR Zhilotsbank in Moscow; A. Zaychenko, consultant of the State Commission of the USSR Council of Ministers for the Economic Reform; Yu. Kozlov, laboratory head in the School of Law at Moscow State University; A. Larkov, sector head in the All-Union Scientific Research Institute of the USSR Procurator's Office; N. Piskareva, scientific associate of the All-Union Scientific Research Institute of the USSR Ministry of Internal Affairs; and A. Shokhin, adviser on economic affairs to the USSR Minister of Foreign Affairs.

[Question] To begin, I would like to recall a well-known thought of Lenin's: Before debating, agreement has to be reached on terms. The sacramental words "shadow economy" resound today from the speaker's rostrum of the Congress of People's Deputies, one can hear them while waiting in line, and they are encountered in serious articles and reporters' notes. One gets the impression that everyone has his own understanding of it. So what meaning do specialists give to this term?

[A. Shokhin] Unfortunately, there is no strict definition, much less an unambiguous one. In the West, what they mean by a shadow economy is a business that evades registration. The objective is clear—not to pay taxes. And then, of course, there is the production of antisocial products, for example, the drug trade and pornography.

Our own shadow economy is distinguished, to put it mildly, by a distorted mechanism of planning and management decisions. The economist Janos Kornay once referred to it wittily as a market for resources—the phrase caught on and has become all but an aphorism. In essence, we are talking about a very deformed market mechanism, which is trying to adapt to an economy of the centralized type. The reference is to situations in which raw materials, equipment, commodities, and planning indicators (which for some people, as we know, are also a commodity, for that matter the grease that indicates the soup is rich) do not go onto the market, but are distributed "from above." It is well-known that such a procedure gives rise to a multitude of opportunities for shadow relations.

In the most general terms, I would offer this definition of the shadow economy: all those forms and methods of economic activity which deviate from laws and normative acts and even from generally accepted business ethics. The extent of the deviation reflects the entire palette of the shadow economy—from outright criminal methods of obtaining money to methods which are not criminal, but do not fit within the framework of legislation. Nevertheless, if all the instructions were followed, our economy would not be able to operate at all.

[Question] You don't mind, do you? It was not in vain that A. Aganbegyan, member of the academy, compared the inexperienced business executive to a bull in a china shop—whichever way you turn, you unfailingly "step on" another instruction. And he compared the intelligent and efficient executive to a downhill skier who does not brush against a single flag on the slalom course.

[A. Shokhin] That is why the outdated norms have to be repealed and some of them improved during the economic reform—that will leave less room open for the shadow economy.

[P. Goncharov] Yet even now in our legislation you can identify two directions: the permissive and the prohibitive. And the paths from one to another are oh so tortuous that not everyone can follow them—one need only mention the difficulties in development of the cooperative. Laws are supposed to reflect the prevailing morality in society. At present, we are far from that, so to speak only about legal criteria in assigning a particular form of activity to the shadow realm is to engage in self-deception. In my opinion, moral assessments of enterprise in our social consciousness are becoming heavier and heavier every day.

[A. Zaychenko] It is a generally established opinion that many moral categories have been lost in our society. So is it even possible to take ethical standards as the point of departure in a discussion of an economic phenomenon? I would propose that we restrict ourselves to those spheres of the shadow economy which do not conform to the law. But if we are to begin arguing about ethics, I fear that we will broaden the limits of the topic to such an extent that we will not even see the horizon. The law is a straightforward criterion. In the United States, the shadow economy represents approximately 14 percent of the official economy. If we evaluate it from the positions of business ethics, the figure will increase to a minimum of 80 percent.

[A. Larkov] I would classify in the shadow economy activity that is concealed from recordkeeping and oversight and involves the conduct of unlawful trade operations, mercenary deals for gain, embezzlements, malfeasance, and economic crimes.

[Question] We do not seem to have arrived at a unanimous opinion. So what, let us leave ethics aside for the moment, let us talk about unlawful activity. But after all even in this case, judging from what we have read, differing estimates have been put on the size of "black"

capital. One must involuntarily doubt the accuracy of the figures and of the strictness and reliability of the methods.

[A. Zaychenko] The size of the shadow economy is quite considerable throughout the world—from 14 percent in the United States to 30 percent in Italy. In the USSR, according to my estimates, it comprises approximately one-fifth of the gross national product (GNP). Why precisely 20 percent? Researchers in the most widely differing countries say that everywhere and always the personal consumption fund comprises 60-75 percent of GNP. In the USSR, it is 43 percent. Like it or not, the population is trying to make up this “difference” any way it can, including methods which are unlawful. This is a kind of unconscious attempt to make up for an unjustifiably low standard of living.

Thus, society is generating the shadow economy. And we must be clearly aware that it is not just the “mafiosi” who are taking part in this process. Just think of the pilferers from the workplace, the notorious *vyvodilovka*, the endless extra payments for practically every article purchased, for almost every service. Alas, this is a very widespread, even though extremely inefficient “method” of restoring balance to the economic mechanism—after all, we lose not only live labor, but also finished output. Here is an illustration: for the operator to release to the black market from the vegetable depot a car of vegetables or fruit, he has to allow two or three cars to rot. For camouflage.

Our gross national product amounts to 900 billion rubles, and 20 percent of that is 180 billion. But I do not want to use specific sums in estimating the shadow economy—I propose a percentage, since I am not convinced of the accurate estimate of our GNP. It is influenced by double counting, by the quality of the procedures, and also by mistakes in statistics.

[Question] And what does your 20 percent represent—is this the turnover of the shadow economy or its capital?

[A. Zaychenko] Those resources which go for personal consumption—the end result of unlawful economic operations. In the end, it is the end result that is important, it is for that that both the official and shadow economy are working.

[A. Shokhin] You know, I am impressed by this approach—even though the estimate is approximate, here you at least have strictness in the approach. What you are referring to is clear, you can only argue or agree with the figure itself. But when we add together the different methods of unlawful activity after first estimating their size, the errors add up, and it becomes difficult to believe in the accuracy of the estimates.

[N. Piskareva] Yet it is from statistical data, for example, that we have estimated the volume of what has been embezzled, having taken diverse forms of economic crimes—everything which law enforcement agencies had discovered. We added them up and then multiplied the

sum by 10 (according to estimates of criminologists, only 1 economic crime in 10 is discovered) and arrived at the figure of about 200 billion rubles. As you see, the figures almost coincide, although A. Zaychenko started out with economic criteria and we took different criteria.

[Question] Doesn't this remind you of the schoolboy who makes the solution of the problem fit the answer printed at the back of the book? And then you speak about the criminal sector of the shadow economy. But it also has another sphere—for instance, services done on the black market, all kinds of articles which skilled people make during working hours in the plant and then sell.

[N. Piskareva] Yes, there is also the socially useful and efficient economic activity in the shadow economy, activity that is simply not regulated by the legal norms. According to estimates of the Scientific Research Institute for Economic Research of USSR Gosplan, its scale is 70-90 billion rubles a year.

[Question] But, putting them together, we already arrive at almost 300 billion. It is as though the leaders of this round-table discussion were acting in the role of auctioneers—one constantly wants to ask: “Who will offer more?”

[A. Shokhin] Well, some people use a figure that exceeds 1 trillion rubles. It is just that its economic meaning is unclear. I am always disturbed by people who deal arbitrarily with sums in the billions. For example, in the trade sector the thievery is immense, but what is stolen usually goes for consumption. Of course, even here there is a need for working capital, but it is hardly large. And at the same time in industry there are large above-allowance stocks and a great amount of uninstalled equipment. Do we assume that it is all rusting or lying around? But perhaps it has been circulating in the shadow economy for a long time.

[A. Zaychenko] Strictly speaking, in our country the entire economy is a shadow economy. If I might use a comparison taken from painting, it confines itself to a broad palette of colors—from slate black to light-light-gray, which is the color of the blameless acts which are nevertheless violations of existing norms.

[Yu. Kozlov] As a matter of fact, by contrast with a majority of other countries, our shadow economy is a parasite on state capital. It is in fact for that reason that its size is hard to estimate.

[A. Shokhin] Something like leasing fixed capital from the state, with the sole difference that the “lessees” are not paying money into the budget....

[Yu. Kozlov] That is why many of our underground businessmen do not need capital. And if we count the capital of the state used by the operators, the scale of the shadow economy may in fact exceed 1 trillion. But that is stretching it quite a bit. According to my estimate, the shadow economy's own capital is about 140 billion

rubles, and it has moreover been accumulated over some 10 years. Every year, of course, the amount increases, which is why it is very important to analyze the kind of profit that "black market" money is yielding. Then we might estimate the growth rates, forecast the trends in development of the shadow economy and the scale of its expansion into the official economy.

[Question] That is the right idea, but we would like to get some idea of the situation today. Do we know very much, for example, about the structure of underground capital? Where is it mostly—in the sphere of production, distribution, or trade? How do these flows interact?

[A. Larkov] "Unlicensed" services in the everyday service sector amount to 5-6 billion a year, these are the figures of the All-Union Scientific Research Institute of USSR Gosplan. Services of that kind in other sectors amount to another 12-14 billion.

Then I took all the shortages—it came out to about 1 billion. I multiplied it by 10—that same index of crime detection which N. Piskareva wrote about. Another 10 billion.

Now we are trying to estimate small pilferages. This is a difficult job, they are practically never detected, it is a disgraceful thing that everyone has become used to. I recall an article in some newspaper—just before a holiday inspectors lined up for an inspection in a corridor. Everyone was stealing something, even front rankers were not carrying empty bags. So, then, we take the most conservative figure and write down 2 billion for pilfering from the workplace.

We have also studied the trade sector. It turned out that one-fifth of produce and more than half of industrially produced goods end up with speculators. Note that this has only to do with shortages, which at that time pertained to approximately a fourth of the assortment. This was 3 or 4 years ago, while now there is a shortage of everything. So it turned out that 8-10 billion rubles worth of produce and 10-12 billion rubles worth of industrial goods sprouted legs.

And what is happening in the construction sector? Figure padding amounts to between 1.5 and 3 percent. Because of that, 3-4 billion rubles in wages are paid for nothing. Pilfered materials are written off; together with wages that were unearned, in construction there might be 16-20 billion rubles obtained unlawfully.

[P. Goncharov] I am surprised by the percentage of figure padding—1.5 percent. In Moscow, where monitoring is better organized, up until 1985 the annual volume of figure padding in reconstruction and major repairs was 26 percent of the estimated cost, while in new construction it was about 12 percent.

[A. Larkov] The estimates are possibly too low. But let us continue. According to the information of USSR Goskomstat, bootleggers clear 8 billion rubles. Which is not even to mention the extortion practiced in medicine, in

transportation—you can't count it all. In short, the total runs to at least 100-120 billion rubles a year. I am a lawyer, so I will not try to determine their economic essence. I will put it this way: this is money obtained unlawfully by underground operators. Two-thirds of it is spent to purchase goods, and a third is used for turnover.

[A. Shokhin] Please forgive me, but I am forced to repeat myself—we cannot simply add things up without analyzing the nature of the thing. Many forms of the shadow economy are interwoven; for example, figure padding is the basis for unlawful production activity. And its output goes into trade and then possibly to speculators as well. We cannot make a count on the principle of stuff it all in the bag and later we will distinguish what is what. Such methods remind me of the old anecdote about the Soviet and American statisticians arguing about the ratio between the gross national product of the USSR and the United States. According to the handbook, our GNP comprises two-thirds of the American GNP. "But you are not taking into account," the Yankees say, "that the underground economy represents another third in your case." "Of course, we do not take it into account," our statistician objects, "since we know that figure padding represents precisely one-third of all GNP. So it comes out even." But what is good for a joke is not suitable for serious analysis.

[Yu. Kozlov] We have studied the capital circulating in the shadow economy, more accurately, in its criminal sphere. We took crimes in various regions over approximately a 10-year period, moreover major crimes which were handled by the very best investigators. I think this approach made it possible to minimize the error. This is what it comes to: a third of the face value of the deal circulates, a third is spent for consumption, and a third goes to pure accumulation. The figures, of course, vary depending on what kind of criminal organization we are talking about. The analysis of crimes made it possible to distinguish three main groups engaged in criminal economic activity. The first is the elite, very high-ranking officials. The second consists of economic managers, administrators, in short, official and underground managers. And finally, the operatives, the small-fry, beginning with merchandise experts and ending with guards and racketeers. So, the structure of "illegal" money I spoke about is typical of the first two groups.

It is often said that 30 percent of underground capital goes to bribe the administration and law enforcement agencies. This figure was released hastily, without a strict understanding, and it has strolled from article to article, confusing both the people and specialists. Criminals actually do spend 30 percent on bribes, but...not 30 percent of all their capital, but only 30 percent of those resources which they put into circulation. That means approximately one-ninth of "black" money. But even this modest portion does not go entirely to bribe-takers; it is redistributed along the channels of the shadow economy itself and the criminal world—half or even a fourth reaches people in the administration. So, it is not one-third, but a maximum of two-sixths percent of

shadow capital that sticks to the palms of mercenary people who have forgotten the honor and conscience of civil servants. This revision is necessary, since we have unintentionally created the wrong idea about our administration, which is supposedly eating up fabulous sums received from underground operators.

But it is difficult to say how the flows of "black" money interact. One thing is beyond dispute—without them our official economy could hardly exist. We became convinced of this when we studied "commercial" deals that made a big stir. If "black" money did not reach the managers in the economy who take bribes, a sizable portion of the population would simply be without. Unfortunately, a system has taken shape that is so corrupt that without a bribe you cannot obtain goods or produce at the depot, even if they have been allocated to you.

[Question] Well, so far in our discussion we have had plenty of surprises and paradoxes. Even now we can summarize: there seem to be no strict methods of estimation, the figures are given different and very arbitrary names, and what is more, some of them, it seems, travel from one publication to another without having been subjected to proper critical examination. In short, an approach that is not strictly scientific, but rather empirical, has so far predominated in study of the shadow economy. But it is time for us to move on. People react very keenly to the arguments of the cooperators—a majority feel that they are earning money not because they are working to exhaustion, but because underground capital is coming to the surface here. How is money unlawfully gained laundered anyway? Is the cooperative the only channel for that purpose? Or are there other methods?

[P. Goncharov] It has always been laundered, in every period. Take the sixties and seventies. At that time, the state was selling the bonds of the 3-percent loan. And no one asked anyone what kind of money they were using to buy them. You could buy a million's worth if you wanted. A shadow market for securities and capital gradually took shape. It also had its own structure. For example, the resources of individual families, clans, criminal associations specializing in a particular type of business....

I once compared the rates of note issue and inflation in one region and discovered: sizable money flows were coming into distribution that were not related to the activity of the state banks. Where did they originate? There are underground banks in operation, they are called kassy [cash drawer, credit institution].

As for the cooperatives, there are also a number of different ways of laundering money through them. We see only the tip of the iceberg. People think for some reason that the vendor selling shish kebab makes it legal when he sells broiled meat for 20 rubles a kilogram. By no means. His excess profits are rather reminiscent of the era of primitive accumulation of capital, which, in

my opinion, we are now entering. Take, for instance, the computer business—the purchase and resale of personal computers—it turns noncash money into cash. What is more, one can very quickly realize a fabulous rate of profit after investing a negligible amount of capital. The cash, if there is a lot of it, is turned into a commodity. There are major, though unofficial, markets for Soviet money in Vienna, New York, Hamburg, and Rotterdam. A million rubles is exchanged there for \$200,000 U.S. And then you can invest the foreign exchange in our joint enterprises and obtain lawful profit in both rubles and dollars. My scheme is, of course, simplified in the extreme, but the essence of it does not lie in the details.

[A. Zaychenko] Can this be seen as a method of legalizing "black" money? In my view, we need to agree on terms once again. What is meant in the world by the term "laundering" money? Money concealed from the tax inspector. But at this point in our country there is no one to hide it from.

[A. Shokhin] It would probably be more correct to speak of legalizing a way of life. P. Goncharov's example actually illustrates new methods of investing capital.

[Yu. Artemyev] Legalization?! When were the operators ever afraid of anyone? They lived openly, they were not ashamed....

[A. Shokhin] Yet now they are afraid, not so much of personnel of the campaign against thefts of socialist property and speculation as of the racketeers.

[P. Goncharov] The rackets have also undergone modification. A year and a half or two years ago the tough guys were demanding the payoff in cash. Now they want a share of the profit. They do not "eat up" the money accumulated earlier, but are investing it in business. It can be said that the financial-and-credit structure of the shadow economy has formed, its capital is being invested in shadow business and is yielding a solid shadow income.

[Question] How are relations being formed between underground operators and the administrative apparatus, what methods are used? How great is the danger of political influence of the shadow economy, is there evidence that it aspires to power?

[Yu. Artemyev] We will not be sly—these relations are very broad and diverse. Here are a few figures to back that up. According to sample data, four out of every five leaders of organized criminal groups operating in the economic sphere are heads of enterprises, organizations, and institutions. A completely respectable manager of a collective and at the same time an underground "ring-leader"—how do you like that? A similar tendency is observed in organized groups with a general criminal orientation—26 percent of convicted members of these bands are ordinary Soviet employees. Analysis of crimes shows: one out of every five criminal groups has had contacts with representatives of the authorities. Statistics of the campaign against theft of social property and

speculation are still more alarming—here such connections were maintained by every other group.

Criminal organizations are beginning to control exceedingly important points in the economic mechanism, buying off and discrediting the personnel of monitoring, administrative, and law enforcement agencies. Here is an example. More than 50,000 people—ordinary cotton growers and heads of kolkhozes, personnel of party and soviet institutions, were drawn into the criminal system that took shape in Shamkhorskiy Rayon in Azerbaijan. The state suffered an immense loss of 20 million rubles. Nine hundred (!) top people in that "system" have been indicted. A majority of them have already been convicted. That indicates the scale we are talking about. Is it surprising that criminals do not simply entice the managers, they even "promote them" to positions as their own people deliberately oriented toward participation in crimes?

Graft is a very reliable indicator of how corrupt the state apparatus is. Between 1970 and 1987, the amount of it increased 3.5-fold. But embezzlements of large and very large amounts increased 12-fold over the period from 1975 to 1985! Does this need any commentary?

[Yu. Kozlov] But take the cooperatives—in the system based on allocations, they were forced to make something...from nothing. Under the conditions in which they were placed, they clearly could not even operate without bribes. Four out of every five deals concluded by cooperators are unlawful. Quite recently they would occasionally extort a bribe of 50,000 rubles from a cooperator for the permit to cover his place of business. But now some of them are paying approximately 10,000 every month not to be evicted.

[N. Piskareva] The only real racket is the one located in the state administration. That system is extremely disadvantageous for the cooperators, it would be better for them to operate under legal conditions, to obtain raw materials, supplies, and intermediate products legally. But...the administrative apparatus has felt the negative attitude of society toward the cooperative and is using that advantage to the hilt.

[Yu. Kozlov] We know of cases in which personnel of ispolkoms take 10,000 just so that the application to register a cooperative will be processed. The size of the bribes will increase, and more and more cooperators will go over to the shadow economy. One encounters statements in the press to the effect that the operators have been corrupting the administration. Aren't we trying to transfer the blame from the guilty to the innocent?

[Question] And who are the innocents?

[Yu. Kozlov] No, I do not mean at all to say that all the cooperators are people of crystal-pure honesty; they include many operators in the shadow economy, and there are even outright criminals. But we should also give the administrative apparatus its due—it was ready for the situation.

[N. Piskareva] They did, after all, attend a good school during the years of the stagnation—bribes and extortion did not begin yesterday....

[Yu. Kozlov] Right, it is only the scale that has changed, the amounts are bigger. The rates are rising not from month to month, but from day to day. I am far from the thought that every person in the administrative apparatus dreams of getting rich, that everyone is ready to become a bribe-taker. By no means. They take the bribes in private, but the actual ties between underground businessmen and civil servants are formed through altogether legal channels. A man comes in, asks for something, they refuse him. The honest man becomes upset, perhaps he begins to complain, the profiteer tries to solve the problem with a bribe.

[A. Zaychenko] This system was ironed out long ago—in fact it cannot be otherwise in a scarcity society. But earlier the "influence market" was restricted and elitist, since decisions were made at a rather high level. With the emergence of self-employment and the cooperative, low-level bureaucrats have now come onto this market—the scale of trade in influence has risen sharply, the "assortment" has expanded—commodity stocks, nonresidential space, permits for foreign trade activity, organization of joint enterprises. A year ago, for example, it cost 70,000-120,000 rubles to register a cooperative to participate in foreign economic activity.

[Question] In short, the shadow economy is taking power more and more, still operating, be it said, illegally. But will it continue that way for long? Won't the relevant structures begin to feel a hunger for power? For example, an association of cooperatives declares outright its desire for political power. Can we be sure that the representatives of "black" capital will not be the ones to take the leadership in that movement?

[Yu. Kozlov] When it comes to politicization of the shadow economy, some people put it this way: here you have the operators, and here you have the bureaucrats, and they are seeking one another out. For that matter, the shadow economy has from its very conception been so politicized in our country that we can now speak only of "democratization" of corrupted structures, since bureaucrats at the lowest level have joined their ranks.

[N. Piskareva] The emergence of political movements or even of political parties of cooperators, lessees, and small proprietors does not frighten me as much as the disguised merger with the administration of underground operators grasping for political power. They are extremely dangerous.

[Yu. Kozlov] One can even enumerate certain points in the program of these movements—private ownership, a generous tax system, protection from law enforcement agencies.

[Question] So, perhaps even legalization of the shadow economy itself—part of it at least—would benefit the cause?

[A. Shokhin] The economic reform, which is oriented toward development of market relations, is indisputably legalizing some of the underground forms of activity. But will the share of the shadow economy in the gross national product, about which A. Zaychenko was talking, decrease? I doubt it. New forms will emerge; instead of our uncivilized mafiosi, our own Europeanized businessmen will move to front stage. Even now, the forms and methods of the shadow economy are undergoing essential change. And the more vigorously market mechanisms begin to operate, the easier it will be to legalize those spheres of activity which are now either in the shadows or outside the law altogether. But an economic policy has to be conducted so that as few as possible remain in the shadows. Just take the tax system: Foreign experience shows that "soft" taxes bring far larger amounts into the budget of the state than Draconian rates which people do everything to evade.

[N. Piskareva] In supporting this idea, I would like to note this: In fighting the shadow economy, it is worthwhile to think about creating independent commissions of experts at all levels and above all in the executive branch. They must evaluate even in the stage of discussion the criminological consequences of the decisions to be made, propose methods of protecting the bodies of government from encroachments of organized crime. The scale of criminal economic relations is too large, the operators in shadow business are very aggressive, and indeed they also have a great deal of experience in entering into corrupt relations. While we were talking, I suddenly recalled a line from a children's rhyme—Oh, what a difficult job it is...to pull a behemoth out of the mire. Does it not seem to you that in combating the shadow economy we are also trying to pull out the "behemoth" by fastening a thin thread to one leg, light twine to another, and a tiny cord to the neck?

[Question] That is, of course, a purely rhetorical question. With it, we will bring the discussion to an end, since the comparison is not only vivid, it is also quite accurate. The discussion has demonstrated that each specialist has quite different knowledge about the shadow economy, and there was almost no sense of a systematic approach. The State Commission of the USSR Council of Ministers for the Economic Reform has enlisted a group of experts to make a thorough study of this problem. It is headed by A. Zaychenko, one of the participants in our round-table discussion. We will hope that the specialists will in the end be able to twist the "thin threads" and "light twine" into a strong rope and pull out the "behemoth." We also invite readers to continue the discussion in the pages of our newspaper—we await your letters, articles, and suggestions.

Swedish Economic System Seen as Possible Model for USSR

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[Article by A.I. Milyukov, doctor of economic sciences and deputy head of the social and economic department of the

CPSU Central Committee, and V.K. Senchagov, doctor of economic sciences and chairman of USSR State Committee for Prices, under "Foreign Experience" rubric: "Swedish Model: the Third Path of Development"]

[Text] On behalf of the CPSU Central Committee, a group of party and soviet workers visited Sweden, where it studied the "Swedish model" of economic and social development. The marked progress of the national economy, the well-organized management system, the improvement of working and living conditions, the practical elimination of unemployment in the last six years, etc. evoke not only cognitive but also purely practical interest—can the Swedish experience be utilized in perestroika?

We studied the functioning of the "model" at different stages: directly in production and trade (enterprises, farms, trade centers, local bodies and institutions for social security); in national institutions and associations (ministries of the labor market, finances, external trade, administration of agricultural and consumer cooperatives and others); at the level of the political and economic leadership of the country, there were meetings and conversations with the prime minister of Sweden, the chairman of parliament, leading ministers and leaders of political parties. The result of the meetings, research and reflection was the article presented to the attention of readers.

Financial and Credit System

A special feature of the Swedish financial system is the high level of taxation, which is more than 50 percent of gross national product, whereas it ranges from 30 to 45 percent in other countries of Western Europe, in the United States and Japan. About 40 percent of all budget expenditures go for health care, social security, the development of education and culture. As a result, unemployment in the country has now been reduced to a minimum and the current incomes of the population have been leveled out; the level of social security of citizens is high, especially for pensioners and the disabled; Swedish companies have a great export capability and occupy a firm position in the world market.

Along with the short-term state budget in Sweden, they formulate a forecast for a 5-year budget. It is published by the Ministry of Finance and amendments can be made in it taking into account changes in policy and in the economic situation—right up to the adoption of a final version by parliament.

The main objective of the country's budget policy beginning in 1982 was the overcoming and complete elimination of the budget deficit. These facts are evidence of the energetic nature of the measures taken by the Ministry of Finance, the government and parliament: the introduction of a temporary tax on insurance companies in 1987, which made it possible to receive an additional 16 billion kronor, or the decision of the Bank of Sweden that obligates commercial banks to hold part of their reserves in special interest-free accounts. Thanks to such a purposeful financial policy and the overtaking increase in incomes in the 1987/1988 fiscal year in comparison with

the 1982/1983 fiscal year, the level of incomes increased by 75 percent, with an increase in expenditures of 23 percent. The budget deficit declined from 86.6 to 5.8 billion kronor. The experience of Sweden convinces us of the need to democratize the budget process in our country and to raise the role of the Supreme Soviet in the discussion of the budget and the regulation of its deficit.

The approach to the overall tax structure is indicative. A dominant role in it is played by taxes on personal income and property as well as taxes on goods and services in the form of an excise and a added-value tax. Taxes on income make up 88 percent, of which 41 percent are taxes on goods and services (indirect tax and added-value tax), 28 percent—taxes on personal income, and 5 percent—property taxes.

As we see, the overwhelming share is made up of taxes on the final income of different social groups of the population and a relatively small share is tax receipts from private companies and banks (the USSR has a fundamentally different structure of budget income: 21.5 percent—turnover tax, 29.2 percent—payments from the profit of state enterprises, and 7.4 percent—state taxes from the population).

Such an approach affirms the principles of stimulating all activities for the production of goods and services and the receipt of profit. What, for example, is the mechanism for the taxation of a Swedish company? The general rate of taxation of its profit is set at 50 percent but it can be lower than that for developing companies. The tax base is not the entire profit of the company but only after the deduction of so-called "reserves for budget investments." It is permitted to include in this reserve up to 50 percent of profit prior to the payment of the tax. In so doing, the tax rules prescribe how this reserve can be spent. That is, it cannot be used entirely as the company sees fit. But it can be expended for the construction of buildings, the acquisition of new equipment, the building up of stocks and the promotion of commodities for export. If the reserve is utilized without the approval of the government, then the entire sum plus a penalty of an additional 200 percent is included in the amount subject to taxation.

To get an idea of the scope of the preferential taxation, it is necessary to determine the share of total profit (before its distribution to different funds) sent to the budget. This share, estimates the Ministry of Finance, was approximately 10 percent in 1988. But sometimes it happens this way: the small enterprise "Artplast" with 30 employees is well equipped technically, issues diverse output, from video cassettes to medical instruments, and is completely exempted from taxes on its profit during a period of large capital investments.

What about the taxation of personal income? It is set up on a progressive scale, differentiated from 35 percent for incomes of 10,000 to 80,000 kronor to 75 percent for incomes over 200,000. In so doing, 30 percent of the income, regardless of the amount, goes to local budgets

(to the disposal of municipalities and provinces). A new scale of taxation is now being prepared that will be less progressive. This is being done to stimulate the labor of different social groups.

Today tax reform is obviously necessary in our country. Its essence is seen in a reduction of the tax squeeze on the profit of enterprises for the purpose of stimulating scientific-technical progress and the renewal of its material and technical base. At the same time, there is supposed to be a greater load on high personal incomes and on goods and services.

It is interesting that Sweden and the USSR have a number of similar elements in the regulation of wages. The experience of Sweden indicates that it is impossible to regulate wages through just one instrument. Along with the regulation of personal income in the form of a personal income tax, the total wage fund is also regulated there at a rate of 27 percent. Penalties have also been introduced for exceeding the rate of increase of the wage fund. The Volvo company, for example, paid 500,000 kronor to the Swedish Union of Entrepreneurs for raising the increase in wages, according to the president of this association. This regulation pursues the objective of restraining the basis for an increase in personal income and consumption so as to lower production expenditures and increase profit.

As for the Swedish banking system, the hierarchy there is the following: the Ministry of Finance specifies the activities of the Bank of Sweden, which to a substantial degree affects the activities of the commercial banks. The bank profit is 85 percent, determined by the difference between the interest rates for funds brought in and funds paid out and by the provision of services. The orientation toward profit and outlays does not hinder but, on the contrary, helps the bank to seek new clients. Thus, the president of Handelsbanken stressed that "we are pleased to grant credit to any client who can pay it back."

One of the factors in the effectiveness of Swedish banks is the decentralization of management and decision-making. In particular, this was expressed in the developed system of local branches. Just the one commercial bank, Svenska Handelsbank, for example, has a network of 450 branches (and this is in a country with a population approximately equal to that of Moscow). The managers of the local branches have the right to make decisions on the granting of credit amounting to as much as 4 to 5 million kroner, and ordinary employees can grant credit up to 50,000 kroner. Another commercial bank, PK Banken, has the opportunity, thanks to an agreement with the Postal Administration, to serve private clients through postal departments, of which there are about 1,200 in the country.

Swedish banks make extensive use of computer technology and spend considerable sums on its development. Practically all commercial banks are covered by the international computer system "Swift" for bank communications, which significantly accelerates payments and operational turnover and reduces the share of monotonous labor.

In the opinion of the Swedish minister of finance, a substantial narrowing of the sphere of action of traditional banking institutions is possible in the future: the role of finance companies in the country is growing. Indeed, whereas 100 such companies were registered in 1981, there were already 244 of them in 1986 with outstanding loans amounting to 80 billion kroner.

Scientific-Technical Progress

The Swedish economy is open and oriented toward communications with other countries. Hence the special attention to the competitiveness of output, which can be supported only by relying on scientific-technical progress. Today the figures are these: Sweden has 0.2 percent of the world's population, 1.5 percent of scientific-technical expenditures, 1 percent of the production of output, including 2 percent of machine building and 3 percent of the exports of machine building output.

Expenditures for scientific research in Sweden are at the highest level in the world (in relation to gross national produce), being equal to those in the United States and Japan and higher than in other European countries. If one considers that the share of basic research in Sweden is lower than, say, in the United States, then Sweden occupies the leading position in the world in expenditures for applied scientific research work and scientific-technical studies.

The expenditures for research and development are especially large in Sweden's major transnational companies. These expenditures amount to more than 7 percent of the volume of sold output in the firm Saab-Skania and about 6 percent in the firm ASEA (\$1.1 billion annually) and about 3 percent at Atlas Kopko (mining equipment). At the small chemical firm Berol, 100 of the 800 employees are researchers, etc.

The establishment of scientific parks at universities is encouraged. Such a park is operating actively at the university in Lund. The scientific park at the university in Uppsala is one of the largest centers for biomedical research in the world. It is also planned to establish such parks at other universities.

Scientific-technical studies—their own as well as those acquired in other countries—are widely used in production because of the aim of renewal and of making major innovative capital investments in the technical reinterpretation of production. In the years 1983-1987, for example, the volume of industrial capital investments increased by 60 percent, whereby this was expressed mainly in a renewal of equipment and an expansion of science-intensive production systems. Thus, the annual

investments in the firm Saab-Skania amount to 15 percent of the volume of output sold—more than \$1 billion. In particular, these capital investments fundamentally transformed the assembly of passenger cars. They started to make extensive use of robots and introduced a staged conveyor with buffer memories between its independently moving parts. As the result of reconstruction at the firm Asea, 6,000 old jobs were eliminated and 8,000 automated jobs were created for the production of new output. This included the construction of the largest plant in the world for the production of industrial robots of six different types with six or seven degrees of freedom, issuing more than 2,000 products a year. At the firm Electrolux, the main producer of household equipment in the world, investments increased by 15 to 20 percent annually.

The state's economic policy contributes to the increase in investments. Part of the profit used in capital investments is exempted from taxation. Also exempted from it are the receipts from the sale of shares of stock in the formation of new firms, which stimulates the organization of new enterprises.

The rapid development of new and primarily science-intensive production systems is organically linked in Sweden with the curtailment of noncompetitive traditional branches. Sweden, which held second place in the world after Japan in shipbuilding, closed all of its shipyards in the last 10 years. The extractive industry and ferrous metallurgy were reduced by half and the textiles industry by more than half. Taking the place of the old shipyards, textile factories and metallurgical production systems—with the help of the state—were branches of the firms Volvo, Saab, Asea and others.

The relatively rapid and painless structural reorganization of industry that Sweden finished sooner than other countries was greatly facilitated by the new approach to the training of manpower and its placement in jobs. The retraining of workers is accomplished in the course of 18 weeks by self-supporting organizations under a contract with the state (which allocates special funds for these purposes) and firms. An average of \$12,000 to \$13,000 is spent on the training of one worker. Basically, these workers are guaranteed jobs.

The market orientation of Swedish firms has the greatest impact on the scientific-technical development, efficiency and quality of Swedish output. For about half of Sweden's industrial output goes to the external market and it is even 70 to 90 percent for advanced firms.

In emphasizing the control of the world market, Swedish companies, above all large companies, are becoming transnational corporations, are acquiring firms and enterprises in other countries and are merging with companies with the same specialization in their own and other countries. Saab merged with Skania, Volvo bought the English firm Landrover that produces buses and attained first place in Europe in their production. The concern Electrolux acquired 200 companies in more

than 100 countries over 20 years. Asea merged with the Swiss company BB and the new concern ABB doubled its might and occupied first place in the world in the main directions of production in the electrotechnical industry.

Taking into account the market situation, Swedish firms are seeking new applications for their forces and are beginning to produce new output. The company Tetra-Pak, which has done a huge business producing a fundamentally new packing instead of bottles and cans for the packaging of liquids, is increasing its production by 10 to 15 percent a year. The firm Duki organized the mass automatic production of dishware, tablecloths and napkins as well as medical implements for different purposes, displacing the usual attributes from many areas (from airlines, for example). The firm Electrolux is shifting to the production of an automated housekeeping system. The firm Ikea is organizing the design, production and sale of fundamentally new furniture—dismountable assembled furniture costing 20 to 30 percent less than usual furniture but no lower in quality. Its assortment is large—12,000 items. The chemical firm Berol, which experienced difficulties with its sales, was reorganized for the issue of new science-intensive output, in particular amines, the base product for the formation of the latest branches of chemistry.

Multiple-profile corporations and large-scale companies have become widespread in recent years. Thus, for example, the concern Volvo is now producing not only passenger cars and trucks, buses and their engines but is also producing aircraft engines and automatic loading systems and deals in food processing, pharmacology, transport and trade operations. The state firm Procordia has a sector of beverages, foodstuffs, tobacco, hotels and restaurants, pharmaceutical enterprises, chemical products and machine building plants. The concern Alpha-Laval is operating in the area of the production of equipment for the food industry, agriculture, biotechnology, animal husbandry, ships and energy enterprises and also issues dosing and analytical equipment and automatic machines for production processes and deals with design work.

At the present time, all large companies have, as a rule, several stable directions of business and one or two enterprises with a risky business, in which they develop the production of new progressive directions: it can bring significant profit as well as losses.

Some companies have formed groups to coordinate international business. They give recommendations in accordance with the development of the world market and clarify trends and prospects. As a function of this, policy is changed and a strategy is determined for the development of production and market activities. Thus, the concern Alpha-Laval was quickly able to restructure part of its production and organize the mass production of rubber separators, having been able to forecast the boom in the consumption of rubber in connection with the rise of the Aids problem. As a result of the correct forecast, the concern YeSAB has now been able to gain

40 percent of the European market for welding electrodes. The firm just as correctly forecast the boom in industrial welding work and opportunely organized industrial cooperation with the concern Asea.

Many large Swedish corporations are pursuing an active policy of buying up competing firms. Thus, the concern Sandvik not only merged with the Belgian company Diamond Boart in 1987 but also bought one of the departments of General Electric in the United States—the company Carboline Systems Product Operation, one of the largest firms in the world for the production of hard-alloy instruments. The concern Electrolux, buying up enterprises in other countries, has now become the largest producer of home electrical appliances in the world.

The large companies and corporations sometimes establish joint subdivisions, e.g., for the more successful sale of their output in particular regions. Thus, the largest Swedish cooperative KF and the state concern Procordia formed a mixed company KF/Procordia, which deals in trade with socialist countries. This company successfully utilizes the good ties of the cooperative KF in the Chinese market and the equally good ties of Procordia in the Soviet market and the markets of the European socialist countries.

Agriculture

Sweden's agriculture, occupying about 8 percent (3.6 million hectares) of the country's territory and making up 3.8 percent of the active population, satisfies the needs of the internal market for food products and exceeds these needs for some kinds (grain, butter and pork). It is characterized by high productivity (grain yield over 50 quintals per hectare and milk yield of 6,015 kilograms per cow), mechanization and advanced agricultural technology, and its labor productivity occupies one of the leading places among the top five countries of Europe. The meat-dairy and bacon orientation of animal husbandry is quite pronounced (75 percent of the volume of income).

Specialized large and medium-scale private ownership is predominant. Altogether there are more than 100,000 farms with an average size of 27 hectares (70 percent are less than 30 hectares and only 3 percent are more than 100 hectares). More than 80 percent of the farmers are operating on their own land.

Cooperation prevails in Sweden's agricultural production. The basic structures are cooperative agro-industrial associations functioning on the basis of vertical integration. Cooperatives bring together practically all farms. More than 80 percent of the commodity production produced by farmers is sold through them and they account for 50 to 60 percent of deliveries of the means of production.

What is behind the universal establishment of cooperatives? The fact is that the country had the need to unite the efforts of farmers to protect the national production

of agricultural output; it could not withstand price competition from imported commodities. Specialists from the Swedish Ministry of Agriculture estimate that the value of gross agricultural output of their own production amounts to 25 billion kronor, whereas only 10 billion would have to be spent to purchase the same quantity and quality of food products at world prices. It was decided to utilize resources in a volume that would satisfy the domestic needs for food and also fulfill international obligations, despite the apparent unprofitableness of agricultural production. In this situation, the government supports farms in every way and encourages the cooperative movement. It must be said that in recent years in Sweden there has been an increase in concentration of production in the cooperative sector. Thus, in comparison with 1971, the number of farms declined by 43,700, or 29.2 percent, and the average farm size increased to 27 hectares, or by 39.8 percent.

Small-scale supply, marketing and processing cooperatives are uniting on a regional basis. Just in the last 27 years, 341 milk enterprises have lost their independence through merger. Large-scale agro-industrial formations are being established and they include cooperative associations of two or three branches. An example of this is the Landmanen agro-industrial association that unites mixed feed enterprises belonging to cooperatives for the supply and sale of mixed feeds and to dairy cooperatives. Such associations strengthen the positions of cooperatives in competition with large-scale private capital. The latter has priority in poultry farming, vegetable growing and horticulture.

Considering that the soil and climatic conditions of a number of agricultural regions of Sweden are similar to those of the Baltic region and Belorussia, the organizational and technological side of the matter is of interest to us. In our view, the positive experience of farms in Sweden can be utilized in agriculture in the USSR. This experience can be adopted in six directions.

1. Swedish agricultural cooperation is based on the family operation of farms: as already noted, 70 percent of the farms are smaller than 30 hectares. As a rule, the main worker at such farms is the head of the family and only on intense days does he receive help from his wife and children. The ongoing concern of cooperatives about the sale of output and the provision of everything necessary contributes to their efficient labor.

Under our conditions, it is expedient to lease land and fixed capital to family farms or collectives of intensive labor with remuneration for final output. In so doing, kolkhozes must act as supply and marketing cooperatives, that is, buy up the entire output produced by the kolkhoz workers and provide for its delivery to processing enterprises and also sell everything needed for the intensive operation of the farm: mixed feed, seed and machinery.

2. Swedish cooperatives produce milk, meat, eggs, oil crops, seed of grain crops, sugar beets and potatoes and

also deal with supply and marketing work and breeding activities and organize banks, etc. The cooperatives are organized in 16 branch alliances. Each cooperative operates in a particular territory and farmers are members of five or six cooperatives depending upon the output produced.

The branch alliances are united in a National Alliance of Farmers, a coordinating body for the cooperative and trade-union movement, which defends the economic interests of farmers in the government, influences agricultural policy in a direction favorable for them and provides information and knowledge.

Each cooperative invests capital in the establishment of a processing enterprise. Thus, the farmer becomes its owner through shares of stock or redistributed profit. Since the enterprise is the property of the cooperative, its activities are completely subordinate to the interests of the latter. This is also supported by the fact that the management of the enterprise is appointed by the cooperative's board of directors and reports to its members on organizational and economic matters. The board of the cooperative also reports to the farmer about its economic work: an annual financial report is issued for this purpose. This supports the material interest of all members of the cooperative in the successful work of processing enterprises. This is why the farms sell 98 percent of milk, 80 percent of grain, 80 percent of cattle and poultry and 75 percent of eggs through cooperatives.

It is possible on an experimental basis to introduce (in Belorussia, for example) a system for the management of agricultural production under the branch principle (and not the territorial principle as is now applied in the republic). For this purpose, it is expedient to organize branch associations within the limits of the regular work force and wage fund customary in the system of the agro-industrial complex and to affirm for them a progressive-bonus system of remunerating labor as a function of the final results of economic work, etc.

3. All Swedish farmers participate actively in the management of the cooperative movement. The size of their holdings thereby matters little: each farmer has just one vote at meetings, where important questions in the life of the cooperative are decided.

Considering that the kolkhoz is the primary cooperative of kolkhoz members, we should raise the role of the latter in the formation of management bodies and their reporting of the economic and financial activity of the cooperative, having transferred technological functions to family farms and collectives of intensive labor.

4. In Sweden, they are concerned about efficient land use regardless of to whom it belongs. By the way, a person has the right to own agricultural lands only if he has a document showing that he has finished an agricultural school, has mastered the fundamentals of agricultural technology, mechanization and economics and also knows how to drive a car and farm machinery and use

the machinery of stock farms. If we were to introduce such a system, one highly qualified specialist would be sufficient for consultation.

5. Tax privileges established by the state help to keep the farmers on the land and to preserve their small farms. The farmer is generally exempt from taxes if he uses his income to increase fixed capital. This encourages the construction of a large house with central heat using liquid fuel, water supply and sewage. The kitchens are equipped with electric hot plates, which greatly alleviates the family's household labor.

6. KF became the largest cooperative association for consumer goods. It brings together 2 million members and has a commodity turnover of about 29 billion kronor. The cooperative includes 100 enterprises and 11 production companies, about 2,000 stores controlling one-sixth of the entire retail trade of the country and 20 percent of the trade in foodstuffs, a large number of hotels, travel agencies, restaurants and laboratories to monitor the quality of food products. The association owns 17 large warehouses with a high degree of mechanization and automation of loading and unloading work. The fundamental difference between the cooperative alliance KF and our Tsentrrosoyuz is that the latter avoids the development of food branches and the procurement of food resources under contracts with kolkhoz members and sovkhoz workers. And why not lease to departments of consumer cooperatives small state enterprises in the food industry?

Social Policy

This is the core of the Swedish model of society. Three basic social problems stand out: the implementation of the principle of equality, that is, equal possibilities of prosperity for all members of the society; the provision of social guarantees to people in different situations; full employment for the able-bodied population. The social democrats see the main merit of the Swedish model in the fact that it permits the combination of high economic growth with the raising of the prosperity of the population and above all with the provision of full employment.

The resolution of these problems yielded quite perceptible results. After Japan, Sweden has the highest life expectancy in the world—77 years. In terms of the level of aggregate personal consumption per capita, Sweden occupies first place in Europe and third place in the world after the United States and Canada. It is second in the world after the United States in per capita consumption of paper.

Sweden has the highest level of employment of the able-bodied population among the developed capitalist countries: it amounts to 83 to 84 percent, according to Swedish statistical estimates. Unemployment has been reduced to 70,000 people, which is 1.6 percent of the able-bodied population. Persons are considered unemployed when they have been out of work more than 5 days. At the same time, according to data from the Labor Market Board, the country has about 60,000 vacant jobs

that arose because those seeking work lack skills or because of inconvenient geographic locations.

The employed population by branches is distributed as follows: 30 percent in industry and construction, 5 percent in agriculture, 7 percent in transport and communications, 14 percent in trade, public catering and material and technical supply, and 44 percent in other branches, primarily in the service sphere.

It was approximately in the mid-1970's that a system of so-called "laws of reliability" was worked out in the country. It rigidly regulated the procedures for hiring for work, the reasons and procedure for dismissing workers, working conditions, etc. In so doing, the dismissal of workers must be discussed with the trade-union committee, which may not agree with this decision if it contradicts labor legislation.

Along with this, in 1982-1983, the Swedish social democrats worked out a concept for "active policy in the area of the labor market," which had the ultimate objective of the complete elimination of unemployment and provided for a system of measures for the establishment of new jobs, their registration on an overall national scale and the retraining of personnel. In a certain sense, this system is unique, because in the overwhelming majority of other countries measures in this area amount to the provision of material assistance to the unemployed—in the form of benefits, as a rule. According to the calculations of Swedish employment offices, three-fourths of the total sum going to raise the employment of the population is expended for active policy in the labor market and only one-fourth is for the payment of unemployment benefits.

Today there are 320 employment offices scattered throughout the territory of Sweden. Extensive computerization and a common data bank make it possible to obtain information in any office on vacancies and the conditions of the offered work in the scope of the entire country. In so doing, the measures do not by any means amount to the provision of work: the main thing is considered to be occupational orientation (it covered about 30,000 people in 1987). With this objective, 88 labor market institutes have been established in the country. They determine the possibilities of their clients, give recommendations and send them to courses. It has been calculated that the institutes spend an average of 70,000 kronor on each person desiring to receive a new occupation.

Unemployment insurance arose in the country in the early 1930's at the initiative of the trade unions. Today only 15 percent of the benefits are paid out on the basis of insurance premiums, and the remaining 85 percent are state resources from the compulsory contributions of enterprises and taxes. In practice, about 80 percent of working people are members of unemployment funds. A number of conditions must be observed to receive benefits. In the first place, it is necessary to be a member of the fund at least 1 year and work for a certain time

(under the collective contract for Volvo workers, for example, this period is 75 days within the course of 5 months). In addition, they are required to continue to seek work (unemployed persons are obligated to register regularly with the labor exchange). If they reject a job offered to them in their specialty, the benefits are taken away for 20 days. After several refusals, the unemployed person loses all rights to benefits. The total period of benefits is a maximum of 450 days for those 55 years of age and older and 300 days for everyone else. The amount of the assistance depends on the lost income and can reach 91.7 percent of wages, depending on the length of employment. An upper limit has been set, however, that is now 400 kronor a day.

Sweden has a developed social security system. It is represented by diverse forms of service and money assistance that are revised, taking into account a price index. One of these forms of assistance, a pension, is general in nature and is subdivided into three forms: for old age, in connection with the loss of the capacity for work, and a family pension (in the case of the loss of the breadwinner).

The old-age pension is the basic form of pension. It can be made up of three parts: a national pension, a general supplementary pension for length of service, and additional payments.

The national pension is paid to all Swedish citizens regardless of the kind and length of work and also to foreigners who have lived in Sweden at least 10 years after reaching the age of 16, including the last 5 years immediately before the receipt of the pension. The national pension is uniform for all and amounts to 90 percent of the minimum living wage, which is calculated by the central statistical administration for each month. Besides pensioners for age, it is also received by the disabled from birth. The national pension is not taxed and in the event that the pensioner has no other income the municipal authorities fully cover the pensioner's expenditures for rent and provide for his free use of urban transportation and discounts in railroad transportation.

The general supplementary pension for length of service is paid to Swedish citizens as well as foreigners. The main condition for its receipt is hired work or entrepreneurial activity for at least 3 years. It amounts to about 60 percent of the average income.

The second supplementary, or additional contractual, pension represents an addition to the first two and is paid out in accordance with the conditions stipulated in the signing of the labor agreement between the trade union and the employer. This kind of pension has not become widespread.

Of special interest is the system of social services for pensioners that includes assistance at home, old-age homes and homes (centers) with services. It has traditionally happened that in their old age Swedes do not get help from their children and therefore may rely only on

their own efforts and the help of state and local authorities. In this connection, the Swedish society has established a developed system of social assistance to the aged, which is viewed as an integral part of their existence.

About 90 percent of Swedish pensioners live in their own apartments and houses and take care of their own daily affairs. With advancing age, however, a larger and larger share of them resort to social services. At the age of 80 to 90, let us say, practically one-fourth are in old-age or nursing homes or receive assistance at home.

Medical assistance to the aged suffering serious ailments is provided in special clinics and institutes for the aged. They can stay there permanently or utilize them periodically but with an extended period of treatment. These hospitals are financed by the Ministry of Health and Social Affairs, local authorities and in part by the pensioners themselves.

Swedish specialists have recently come to a conclusion on the need for the priority development of homes (centers) with services for pensioners: they require fewer expenditures, meet the interests of pensioners better than do old-age homes and permit them to maintain their accustomed style of living. As for old-age homes, they should be built for persons of the most advanced age in need of constant care.

Help to the aged at home has recently become widespread. Local authorities have taken on services of this kind. It includes food preparation, the picking up and laundering of linen, the delivery of products, hygienic service and several other services paid for by pensioners with a certain discount, or provided to them free of charge. According to the central statistical administration of Sweden, about 300,000 persons use different kinds of this assistance at least once a year.

The list of kinds of social assistance to Swedish pensioners can be continued: there is the reduction and sometimes complete abolition of payment for municipal services and charges for an apartment; there is the 50 percent discount on public transportation and, in individual cases, the right to travel at no cost; there are discounts in the provision of private medical assistance and for entertainment and cultural institutions. Overall, the average Swedish pensioner has an income exceeding that of pensioners in such countries as the United States, Great Britain, France, the FRG, Japan and others. It must be said that the Swedish system of social assistance for women and children is equally well conceived.

As for health care, more than 9 percent of gross national product goes for its purposes. Sweden has the lowest infant mortality and the greatest longevity. At the same time, about 40 percent of the population suffers from chronic illnesses. The most frequent cause of death is heart ailments and the percentage of suicides is high.

The country has achieved a relatively high housing standard. In 1985, 96 percent of the population was

living in spacious apartments or individual houses with modern conveniences: 98.9 percent of the apartments have telephones, 97.7 percent washing machines, 91.6 percent freezers and 97 percent televisions. On the average, each inhabitant has 1.8 rooms (counting kitchens). Just 2.4 percent lived in "crowded living conditions" (that is, apartments where there are more than two dwellers per habitable room, not counting kitchens and guest rooms, and 1.6 percent were in substandard houses. About 60 percent of all dwellings are owned by citizens and companies. Rent is about 30 percent of the real income of the families, and for this reason a significant part of the population is forced to ask for housing assistance.

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Commission Member Describes Goals of Enterprise Tax Law

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[Article by A. Orlov, doctor of economic sciences and deputy chairman of the Council of the Union Budget and Planning Commission: "Taxes on Enterprise Must Stimulate Their Business Activities"]

[Text] In essence, we have not had any sound, distinct, and clear taxation policy, except, perhaps, briefly during the NEP [New Economic Policy]. The command system of management did not need such a policy. But then on the other hand, the country went through food surplus requisitioning that was disastrous for the peasants and forced procurement, stifling tax rates on handicraft workers, small-producer artels, and cooperatives. Today we have a shameful tax on bachelors, single persons, and small families. Enterprises' relations with the state, ministries, and main administrations are regulated by numerous regulations, individual norms, or simply instructions that result in seizing 75-80 percent of enterprises' profits.

As a result of serious consultations with legal scholars, financial experts, and practical workers of enterprises, the following principles were developed:

- mandatory taxation of all income, regardless of the source;
- a nationwide taxation policy for all union-republic and territorial-administrative levels, which, by the way, does not preclude their independent tax legislation activities within the framework of the unionwide policy;
- application of a uniform tax rate on various property-owners and citizens, that is, an equal amount of tax must be paid for an equal amount of income;

—an increase in the stimulating role of tax rates, especially through a system of giving preferential treatment to efficiently operating enterprises, but not to those operating at a loss or low profit, like before;

—general and rigid financial monitoring of obligations on tax payments of all subjects through tax declarations and tax inspections.

I will dwell in detail on the draft Law on Taxes on State, Lease, Collective, Cooperative, Public, and Other Enterprises, Associations, and Organizations.

In drafting this law, the commissions and committees defined three main goals. First, taxation must stimulate business activities of the main element of the national economy—the enterprise. Second, the only real way to regulate the consumption fund at enterprises and organizations and to limit inflation growth is through tax levers and not administrative bans. Third, taxes must promote development of market relations both vertically and horizontally.

Unlike the draft submitted by the government, the tax rate on the balance profit of an enterprise has been decreased from 60 to 55 percent. Compared with the United States, the FRG, and a number of other countries where the rates are 35-42 percent, we still have ended up with a higher rate. But if you take into account the sum total of profit tax privileges granted enterprises, and these amount to more than 13 billion rubles, the tax rate will be 47 percent. Compared to the existing level of seizure from enterprises, they still have more than 50 percent of the profit left at their disposal. Any other payments are abolished, including to ministries and also departments.

Special features have been provided for taxing the profits of lease enterprises. When calculating the tax, their balance profit is decreased, first, by the sum of rent payments being made to the budget and, second, by the amount of the lease payment being paid to the lessor in accordance with the lease contract. Only the remaining portion of the balance profit is taxed at rates like other enterprises. But unlike state enterprises, for example, a considerable portion of whose amortization deductions are contributed to the budget, for a lessee they are excluded from the lease payment and remain totally at his disposal.

Because the taxation applies to all receivers of profit (income), the Budget and Planning Commission has received hundreds of statements, phone calls, and telegrams protesting the taxation of enterprises and public organizations operating under cost accounting. Representatives of the Komsomol and creative unions have displayed particular nervousness.

However, the draft law provides for quite sparing taxation of these enterprises. The taxpayers pay to the budgets of the union republics a tax in the amount of 35 percent of the balance profit and of the amount income exceeds expenses from measures requiring payment. In

doing this, the taxable balance profit is decreased by the sum of rent payments. Public organizations of the handicapped, their institutions, production training enterprises, and low-profit state cultural, theatrical, movie rental, and other creative institutions and enterprises are exempt from payment of profit tax. If the profit of cost-accounting enterprises of creative unions is used for development of the social and material base of these unions, then this sum is also not taxable.

In the first year of operation, newly created small enterprises of public organizations producing consumer goods and industrial products or performing construction work pay a tax on their profit in the amount of 25 percent and in the second year 50 percent of the established rate. Other privileges may be granted by the USSR Council of Ministers jointly with the All-Union Central Council of Trade Unions [VTsSPS]. They also will not pay a turnover tax.

The tax regulating the expenditure of the consumption fund caused the greatest complexity in working on the draft law. It is supposed to replace the tax introduced on 1 October 1989 on increase in wages and all the subsequent additions and changes to it. Legalization of various forms of ownership calls for complete independence of enterprises in creating and spending their after-tax cost-accounting income. Because of this, creating material incentive funds and social development funds, much less standardized distribution of them, makes no sense.

A consumption fund is created at an enterprise. It includes the entire sum of money for paying wages to the labor collective, bonus and other payments, wages using the accumulation fund, bank credits, from the sale of stocks and bonds, and other funds used, payments from profit for wages to workers of installations of the non-production sphere that are on the balance sheet of the enterprise, and for their routine upkeep. Monetary payments are included in the consumption fund, including compensation for work results during the year, dividends, interest, material assistance, and other social benefits and payments from profits which are individual in nature and result in increasing the personal incomes of workers in money or in kind form. It is important to emphasize that all enterprises independently determine the size of the consumption fund and the way it is to be used.

But could a labor collective of an enterprise of state, cooperative, lease, collective, joint-stock, or other form of economic management decide to use all its cost-accounting income, including its accumulation fund, for consumption? To preclude this from happening, a tax is being introduced that regulates the expenditure of the consumption fund.

The new system of taxation being formed is the first step toward economic relations based on market regulators. The general tax rate throughout the world operates simultaneously with a gamut of diverse benefits. It is namely through them that scientific and technical

progress, conduct of environmental protection measures, production of the rarest types of products, development of small enterprises, priority construction of industrial projects in the northern and far eastern areas and in regions with surplus labor resources, capital investments in the agroindustrial complex, and so forth are stimulated.

In our opinion, sufficiently serious privileges are given on profit of joint ventures created on the USSR territory involving Soviet and foreign organizations and companies.

We have not managed to solve all the problems on taxation. Unfortunately, a halfway solution has been proposed on the tax on bachelors, single people, and small families. Beginning 1 July 1990, the non-taxable minimum will be increased to 90 rubles, and there will be a decrease in the tax rate from 91 to 150 rubles. But because of the fear of losing more than 1 billion rubles in state budget revenues, the USSR Ministry of Finance insists on repealing the tax levy on women who are married on 1 January 1991 and on men only in 1992. There is neither logic nor common sense in such a separation of childless men and women.

We have not been able to reject the turnover tax and replace it with a value-added tax, since the existing wholesale and retail prices do not reflect the real expenditures of socially necessary labor, i.e., the real value. Now we are studying the theory and practice of a value-added tax in the United States and a number of other countries in order, after price reform, to begin experiments in this country in 1993-1995 on added-value taxation. This is not a simple matter. In the United States, for example, they have been trying to introduce this tax over the course of 15 years.

Taxation of kolkhoz farmers has not been brought to the overall norm. The kolkhoz pays income tax from its wage fund in the amount of 8 percent, but the kolkhoz farmers themselves do not pay it from their personal income, like workers and employees do.

A tremendous amount of work has been done on preparing the draft law on taxation. Heated arguments and businesslike additions and changes are yet to come. But time does not wait. We cannot drag out the passage of laws. Enterprises of all forms of ownership have already begun preparing to draw up their plans for 1991-1992, and they cannot get along without guaranteed tax payments in this matter.

PLANNING, PLAN IMPLEMENTATION

Maslyukov Chairs Gosplan Conference on Next FYP

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[Article by Yu.D. Maslyukov, member of the Politburo of the CPSU Central Committee, first deputy chairman

of the USSR Council of Ministers, and chairman of USSR Gosplan, and summary of discussion: "The Character and Newness of the Upcoming Tasks"]

[Text] In January 1990, a party-economic aktiv was held in USSR Gosplan which examined measures for economic recovery, fundamental approaches to drafting the 13th FYP and the tasks of the collective in carrying out the decisions of the Second USSR Congress of People's Deputies. The report was presented by Yu.D. Maslyukov, member of the Politburo of the CPSU Central Committee, first deputy chairman of the USSR Council of Ministers, and chairman of USSR Gosplan. The main points of the report are given in the article presented below. The statements of participants in the aktiv are given in paraphrase.

The country is living through a crucial moment in its history; the Soviet people is carrying out a radical restructuring of the foundations that have been shaped in all spheres of life. This is taking place in a complicated socioeconomic environment. Maladjustment of the circulation of money and the consumer market, the financial deficit, display of group egoism, and breakdown of ties between economic entities are making themselves evident in the economy. They are compounded by interethnic conflicts. The overall result is a growing social tension and a low level of work discipline and production discipline.

The results for 1989 do contain favorable aspects, but they are not comforting by any means. Inflationary trends have intensified. The actual rise of prices of consumer goods and paid services was 2 percent (according to preliminary figures), but when the growth of unsatisfied demand is taken into account (that is, when you take into account both the value factor and also the "suppressed" concealed inflation), the scale of inflation in the consumer sector reached 7.5 percent over 1988. The total volume of this unsatisfied demand for goods and services was 165 billion rubles. Last year, the country's foreign trade balance showed a deficit of 2 billion rubles for the first time in the years of the 12th FYP.

The most important sectors of the economy were supplied physical resources with interruptions. No essential shifts took place in the development of wholesale trade in machines and equipment and in the use of secondary raw materials. The state of affairs in capital construction did not improve. Activation of a number of the most important capacities and projects did not take place. The volume of unfinished construction increased. Efforts were unsuccessful to stabilize the situation in the transportation sector. Environmental problems remain extremely acute.

On the positive side, we should single out the measures for structural perestroika of the economy, for its reorientation toward the social sphere, and for financial recovery. In industry, the growth of production of consumer goods surpassed the growth of production of machines and equipment. There was an increase in the

share of investments committed to the social sphere. The centralized measures outlined for the year to raise the prosperity of the people were accomplished. Resources for current consumption and construction of nonproduction projects represented more than 83 percent of the national income.

The effort continued to improve management and the economic mechanism. New forms of economic association spread widely. For instance, at the beginning of 1990 intersector state associations (MGO's) and state concerns had brought together enterprises with an aggregate work force of about 800,000 persons and a volume of output exceeding 25 billion rubles. The total volume of output of cooperatives was 40 billion rubles, and the number of persons employed in them, including those doing more than one job, is about 4.5 million persons.

The measures adopted for financial recovery of the economy made it possible to reduce somewhat the deficit in the state budget (estimated at under 92 billion rubles, as against 120.8 billion rubles according to the original calculations). But the country's financial situation is still strained. The domestic state debt has reached 400 billion rubles (at the beginning of 1989, it was 312 billion rubles). The issue of money into circulation increased more than 1.5-fold over 1988.

The results of the past year presented in brief indicate that the transition to economic methods of management has been an uphill grind and so far has been ineffective. It was this fact that necessitated the drafting of a special government program (many personnel of Gosplan took direct part in preparing it). This program was debated and approved in the Second USSR Congress of People's Deputies. The discussion was very keen and interested. The range of opinions was as broad as possible: from unreserved support of the program to its complete rejection (polarization of forces is inevitable in parliamentary struggle).

The program contains measures of the first importance for economic recovery; it also defines stages for carrying out the economic reform in a close linkage with the drafting of the 13th FYP. While it reflects the real (that is, complicated and contradictory) state of the economy, it envisages the possibility of both using the administrative form of management and also strengthening the effect of economic levers. The elements of the new economic mechanism will not be introduced simultaneously, but as they are ready and as the appropriate conditions are created. But in carrying out this effort we have to take into account that the ability of the population, work collectives, and bodies of management to grasp the measures being proposed will depend on how astutely their organization and procedures are worked out, on their timeliness, and on the quality of their preparation. It is these circumstances that largely determine how realistic and effective they are.

The essence of the government program lies in lifting material production from technical backwardness, in

assigning priority to social development (which is possible only as a consequence of radical changes of economic relations, structural revamping of the economy, utilization of the capabilities of the socialist market, acceleration of scientific-technical progress, and resource conservation), and in creating the economic prerequisites for the transition to the market.

These are the specific features of the new model of the economic system:

- a multiplicity of forms of public ownership, equality of those forms, and competition are allowed, which will make it possible to use any of them without pressure from above wherever it is more effective. But private ownership involving the use of hired labor is not permitted;
- state management of the economy is accomplished above all on the basis of multiannual planning, whose character is undergoing radical change. It concentrates on the definition of the goals and priorities of economic growth, on formation of the basic proportions in the economy, on development of various forms of cost accounting (khozyaystvennyy raschet), and on centralized supply of resources for the most important nationwide programs and problems. Economic methods will occupy an ever larger space in management of the economy. The enterprise is being given the principal role among self-managing and self-financing entities;
- the planned creation of the market and its transformation in combination with state regulation into an effective instrument for management of activity of all participants in social production. We are not in favor of thrusting the economy irresponsibly into the spontaneity of the market, but of creating the necessary organizational prerequisites and material basis for the market's evolution through planned change of the economic structure and planning methods. In addition, a flexible pricing regulated in a planned way is envisaged that will make it possible to come closer and closer to prices that balance supply and demand and stimulate progressive structural shifts in the economy.

It must be said that the extraordinary measures which are being carried out in connection with the government program must be performed through the economic mechanism of every enterprise. Above all, the enterprise must have greater responsibility for maximum growth of output and for performance of the deliveries covered by the state order, especially consumer goods. The method of remuneration of labor in industry, construction, and other sectors should be changed to that end. But this needs to be done very judiciously.

Taxation of the funds for remuneration of labor is now being introduced; it is hoped that this will normalize correspondence between the money supply and the supply of commodities. It is possible that this measure is theoretically correct. But it encourages a restraint on production, since it restricts the wage level. This was a

topic discussed in the conference with workers, kolkhoz members, and engineering and technical personnel in the headquarters of the CPSU Central Committee in January 1990. Measures are needed that contribute to a rise of the remuneration of labor and at the same time stimulate a still larger growth in physical terms of goods which the consumer needs and a conservation of resources.

The measures which are now being carried out toward social reorientation of the economy are based first of all on redistribution of resources. This method has limited capability; it has an adverse effect on economic development in other directions. The only correct way is large-scale use of the advances of scientific-technical progress affording resource conservation. But the conditions of cost accounting in enterprises make it possible for them to achieve favorable results without paying due attention to resource conservation, i.e., to realize profit without lowering costs.

It is obvious today that in the absence of competition and when there is an acute shortage of goods on the market, profit cannot be the sole indicator determining the enterprise's destiny. The report of USSR Goskomstat for 1989 stated that "practically the entire growth of profit was achieved through a growth of the volume of production and the value factor, i.e., the cost-plus method is being preserved even under the new conditions (since there was practically no reduction of production cost). And the cost-plus method means drawing upon an ever larger quantity of resources. Thus, copying economic systems which are based on the use of profit does not signify for the state automatic elimination of the cost-plus method of conducting economic activity. What is more, the more the enterprise "earns" on this basis, the more devastating it is for the national economy as a whole.

The organizational effort at all levels of management to fulfill the plan for 1990 is the factor that has the most decisive importance to economic recovery. That effort, as is well-known, calls for an unprecedented scale of growth of the production of consumer goods and the rendering of paid services to the public. There are those who doubt that the targets are realistic. But so that we might be able to attain the targets that were outlined, we have created special conditions for increasing the output of this group of commodities both with respect to allocation of resources for production and also with respect to creation of new production capacities, including mobile capacities based on construction modules. A number of benefits of an economic and financial nature have been envisaged, and they are to be expanded still more. This approach is already yielding favorable results. Although the effort to conclude contracts for delivery of goods has still not been completed, the sum total of deliveries under the contracts which have been accepted already exceeds last year's level by 50 billion rubles (this is twice as much as last year).

In speaking about the problem of the consumer market, we should turn particular attention to the supply of foodstuffs. It depends decisively on agriculture. Various means are now being proposed to increase the return on investments in agriculture: amending land use principles, leasing, peasant farms, and so on. This is correct. But there are evidently other and more fast-acting possibilities for solving (perhaps partially) this complicated problem. After all, the trouble in agriculture is not only that the peasant has lost the sense of being the master, but also that his earnings and standard of living are not in many cases directly related to the results of his work and the level of the yield. As a consequence, the level of income of workers on economically strong farms is frequently below what it is on the weaker farms.

As a rule, agriculture is viewed in our country as a uniform body. Yet there are economically strong collectives, there are those in the middle, and there are weak ones. Each of these groups has its own problems and ways of solving them. At the present time, a fast return is bound up above all with improving the performance of those in the middle. It is they that need to be helped to negotiate the correct approaches to mobilizing efforts and to increase the material interest in the results of work. As for the group of strong farms (they number more than 10,000 in the country), they simply must not be hindered in their effort. The weak collectives need to be converted to leasing relations, their cooperation with industrial enterprises should be expanded, and their land should be used to set up cooperatives and peasant farms.

It is very important to bring about order in the affairs of material and technical supply. There is no end in the press of articles about declining delivery of building materials and other supplies to agriculture. Yet in plans the volume of their deliveries are growing year after year. Consequently, we have to not only "make" the plan, but also see that it is carried out. We in Gosplan have to think through and propose to the government measures that preclude any possibility of those resources being used for other than the stated purpose (we have not taken them away from other sectors just for that to happen). What is more, we have to be resolute in making the transition from the system of leveling distribution of resources to expansion of countertrade in which scarce industrial goods are sold to rural inhabitants in exchange for deliveries of food, above all meat and milk.

But it is not possible to solve the problem of normalizing the consumer market and the circulation of money solely by increasing the production of goods and the volume of paid services rendered to the public. New channels through which the population may realize income will be used here: the issuing of various securities that would pay adequate dividends to their owners; granting every citizen the opportunity to buy from the state or from an enterprise the housing he occupies so that it becomes his personal property; the broad transfer of land to individuals on the basis of long-term leases, for construction of weekend cottages and orchard and garden plots (here the rent paid under the lease should be fixed according to the

valuation of the land in land records, which will make it possible to attract about 3 billion rubles a year).

Another important problem which has to be solved is the reform of pricing. Without it, it will not be possible for any of the economic levers to operate effectively. The current year must be a period of preparation and 1991 the year of carrying out the reform of prices. That is why the work of designing its performance should begin immediately; this should be a conception oriented toward deepening the economic reform, expanding the independence of enterprises on the commodity market, and guaranteed assurance of the social protection of the workers.

The position of USSR Gosplan on this question is as follows. Price regulation must promote development of the production of products and services and restraint of inflationary processes, and it must reduce the intolerable scale of the subsidizing of retail prices that has come about in the country. It is indispensable here to preserve state price controls of the principal raw materials, fuels and energy, and the most important large-volume consumer goods.

One of the main conditions for guaranteeing the normal functioning of the economy and development of the economic reform is to restore the country's finances to health. In 1990, the reduction of the budget deficit, as is well-known, is being achieved mainly by reducing centralized state capital investments for production purposes and defense expenditures, along with reduction of a number of other outlays. In the future, the decisive role must be played by economic levers within the framework of the reform being carried out, instruments that ensure a growth of budget resources to solve the problems of social protection of the population and increasing the remuneration of labor in accordance with the decisions of the congresses of people's deputies already adopted.

Major deficiencies in the investment field are now having a serious destabilizing impact on economic development. The plan for 1990 has envisaged a number of measures to normalize the investment process. Capital investments in construction of production projects have been cut back. The new construction projects representing the state order that have been included in the plan represent barely half of what they were last year, and it is forbidden to begin other construction projects with centralized state capital investments. Banks have been issued strict instructions not to accept for financing construction projects if the capital investments allocated do not guarantee their completion within the standard time allowed. An effort is being made to narrow the construction front by mothballing projects already begun which have a low level of technical readiness and also those being built according to outdated designs.

At the same time, experience in carrying out last year's construction program and shaping the plan for this year has shown that the measures adopted are inadequate, especially with respect to increasing the efficiency of

capital investments being made by enterprises with their own resources (at the beginning of this year, they had accumulated more than 40 billion rubles, which quite often they do not manage to use optimally, which detracts from incentives for improvement of operation). Additional measures are needed.

Increasing the efficiency from the standpoint of the national economy of capital investments in production projects as a whole is a most important and most complicated problem. The question has now been put point blank—either the country will continue in the future to be devastated by construction according to outdated design in the face of good management principles, with the present forms of the remuneration of labor, which stimulate a growth of “unfinished construction” and an accumulation of uninstalled equipment, or it will find the strength to break out of that vicious cycle. What is more, the planning and effective use of capital investments are by no means a problem confined to construction. This is a comprehensive problem embracing the entire investment process and the economic activity of every enterprise.

One of the most important aspects of economic recovery is the economy's physical balance. We all see that in the last two years the state of affairs with material and technical supply of production has clearly gotten worse. What is the reason for this? The most widespread opinion is the imperfect nature of the state order and the excessive enthusiasm about the capabilities of wholesale trade (even now people are saying “so-called wholesale trade”).

We recall the kind of criticism the state order was subjected to in the country two years ago to the effect that it was too large, that it did not afford enterprises independence. We have reduced the state order, and now criticism has begun from different positions. This example is indicative that we cannot examine economic measures, including even the state order, out of the context of the entire economic mechanism, apart from the processes of the recent past.

How is it going to be in the future? This pertains above all to 1991-1992, since the plan for 1990 has been approved as a whole and the state order determined. In those years, when the market will still be in a formative stage, maximum material balance must on the one hand be achieved with centralized methods, while on the other elements of market relations must gradually begin to be introduced.

As for wholesale trade, its development is clearly lagging. Wholesale trade should be viewed as a practical measure of guaranteed supply on the basis of greater enterprise responsibility for the balance in the economy. If this task is to be performed, direct lasting economic relations between related enterprises have to be strengthened and developed on a planned basis. Within the immense volume of products produced in the country, there are quite a few which for all practical purposes are sold

entirely to constant consumers: rolled products, cement, energy resources, components in machinebuilding, and products of the chemical industry. This is the wholesale market. Why must it be formed and why must it function on a haphazard basis? We need to develop what is in place, expanding the forms of cooperation all the way to choice of trading partner, the setting of specific prices that take into account the entire range of the customer's requirements, that is, make the transition to the market in a developing economy, rather than to break up what is working.

The following fundamental approach would seem correct: the reduction of centralized principles must conform to the pace of the development of market relations.

There is also another aspect of the problem of balance in the economy that is equally important and acute—discipline in fulfilling the state order. Along the road of shaping market relations, reduction of the sphere of centralized planning has turned out to be the easiest job, although evidently not what should have come first. What we have achieved as a consequence is a lack of respect for the plan, a sense that acceptance and fulfillment of the state plan are not mandatory (a great deal was also said about this at the conference of workers held in the headquarters of the CPSU Central Committee). This abnormal situation needs to be changed immediately and resolutely, relying on the laws in effect, on the economic mechanism, including the forms and levels of remuneration of labor and economic incentive funds. For instance, this January Gosplan submitted to the USSR Council of Ministers proposals concerning adoption of a system of penalties for an enterprise's unjustified refusal to accept the state order and for its nonfulfillment.

The performance of measures to restore the country's economy to health as the economic reform is intensified, along with inclusion of the new model of the economic system, advances the problem of seeking nontraditional approaches to compiling the 13th FYP. For the personnel of USSR Gosplan, this is the most important job in 1990.

What are the specific features of the upcoming period?

First of all, the performance of profound structural transformations has to be continued so that the course adopted toward the social reorientation of the economy is given a reliable foundation. It is also indispensable that the process of increasing the efficiency of social production as a whole proceed parallel to it. Otherwise, there will be nowhere from which to get additional resources for the social reorientation of the economy.

I will name only certain parameters which must be determined in our forecasting calculations for the 13th FYP:

- reduce the materials intensiveness of the social product by 4-5 percent (as against the 3 percent achieved in the current 5-year planning period);

- reduce the energy intensiveness of the national income by 12-13 percent (while at present we have a reduction of approximately 5 percent);
- reduce metals intensiveness by 20 percent (as against the 11-12 percent for the current 5-year planning period).

These are, of course, general figures, but they mean that in the 13th FYP the entire growth of the need of the production sphere for the principal physical resources must be secured solely by virtue of their more economical and optimum use. This method is already an actual accomplishment in the advanced countries of the world.

The problem of raising efficiency pertains equally to our foreign economic activity as well. It is a question of improving the structure of exports and imports, of developing nontraditional new forms of cooperation, and also of consistent application of the principle of self-support with respect to foreign exchange. We have to note that in coming years the new model of the economic system must be mainly shaped in the framework of socialism.

Still another specific feature of the 13th FYP is that the economy will be operating in the context of fundamentally new relations among the center, the union republics, and local soviets of people's deputies. For all practical purposes, the union republics have been given all the instruments for management of agriculture, construction, and development of the social sphere. In terms of the national average, the union republics have been given jurisdiction over more than 60 percent of industry, including a large part of the industry producing consumer goods. The USSR Supreme Soviet is to take up in its next session draft laws on the general principles of local self-government and the local economy and on the general principles of guidance of the economy and the social sphere in the union and autonomous republics. It is within the framework of this latter bill that interethnic, interrepublic, and interregional problems have to be solved.

The decree of the Second USSR Congress of People's Deputies set forth the fundamental principles pertaining to the work on the 13th FYP, selection of its goals, priorities, and national economic proportions. These principles are based on the provisions of the draft versions of the Conception and Basic Directions for the Economic and Social Development of the USSR in the 13th FYP and Over the Period up to the Year 2005.

First about the time frame. The government must submit the draft of the 5-year plan for 1991-1995 to the Supreme Soviet no later than 1 September of this year. Starting from that date, the following intermediate dates are fixed (going backward). The draft version of the 5-year plan must be completed by USSR Gosplan jointly with central economic bodies (including the period for its examination in the USSR Council of Ministers) in the period June-August (including the work of Gosplan and

the central economic bodies in June-July, and examination of the draft plan in the Council of Ministers in August). Preparation of the draft of the 5-year plan on the basis of the plans compiled independently by enterprises and union republics and also the draft plans of USSR ministries and departments, state intersector associations, associations, and concerns would be April-May, and the drafting of 5-year plans by enterprises and organizations would be March-April.

Thus, no later than April 1990 enterprises and organizations must have all the information they need on the economic conditions of their operation and on the needs of the economy for the most important products, with the state order and free sales on the market given separately.

The decree of the second congress defined the purposes of the country's social and economic development in the coming 5-year planning period. The information devolved to enterprises and organizations must contain the quantitative characteristics of those purposes (including reference figures, state orders, and limit-allowances, state centralized capital investments, and also the summary indicators of development of the social sphere and production efficiency). Information also has to be communicated on prices and rate schedules, taxes, interest rates on credits, depreciation, etc.

Guidance in performance of planning activity at all levels from the center to the enterprise should come from the provisions of the laws on the economy: on property, on land, on the socialist enterprise, on the local economy and local and republic self-government, and on the unified tax system of the USSR. What is more, even in the initial stage of preparing the draft plan, i.e., before adoption of these laws, it would be good for planning personnel of enterprises and organizations to base their activity on the draft version of those documents with a view to making the appropriate revisions after they are adopted. Under these conditions, there is a particularly acute problem of interlinking the actions of different departments.

Realization of the government program adopted by the congress requires a reassessment of the organization of work in USSR Gosplan. An important feature of it under the changing conditions is that for the first time we have to solve new problems of methodology and methods, and second, we have to instill new content into those tasks which are considered traditional.

For instance, planning documents must reflect the new conception of centralized planning, the role of the state order in the functioning of various forms of ownership of machines and equipment, and the new credit-and-financial mechanism. The strengthening of the social orientation in planning signifies not only ensuring a faster pace for development of the branches of Group B and a growth of production of consumer goods, but also differentiated recordkeeping of the income and expenditures of diverse social and occupational groups

of the population, and application of effective forms of the remuneration of labor. When enterprises themselves will be earning the bulk of resources for development of production, a qualitatively new investment policy is necessary on the part of the state.

In representing the scale, character, and newness of the upcoming problems, we should be clearly aware that alternative ways of solving them, new conceptual principles, and methodological approaches may be found through thorough scientific research. There is much to be done in this respect. In particular, it would be advisable to issue a single order to economic science as a whole (independently of departmental subordination). It must be anticipatory in nature (although it must be stated directly that we have not managed that kind of anticipation in the methodology of the 13th FYP) and take into account the need to do theoretical work that can be called upon in the future. Competitive conditions should be used more extensively in distribution of the order, and the research projects should be assigned to several scientific collectives and directly to scientific groups.

In the light of what we have said, improvement of the work of the Gosplan system and the working out of new approaches to the problems of national economic planning require a considerable improvement of work with personnel on the part of the senior officials, the party committee, and all primary party organizations. In recent years, the structure and staff size of USSR Gosplan have undergone essential changes (for example, staff size has decreased 35 percent since 1985). The experience of working on the draft versions of the Conception and Basic Directions of the plans for 1989 and 1990 and also in carrying out the orders of policy-making bodies has shown that the structure of Gosplan is mainly what it should be, and the present makeup of specialists is capable of successfully performing the tasks which have been set. These are not mere words. This is indicated by the work on the government program and the compiling of the plan for 1990 in the new way.

The problems of improving the structure have always been a subject of particular concern and anxiety for the administration and party committee of Gosplan. That is why changes dictated by the requirements of reality are constantly being made in it and will continue to be made in the future. Further improvement of the structure will obviously go in the direction of strengthening the summary and functional subdivisions. There is a need to restructure economic statistics and work with balances on a new basis (taking into account the altered conditions of the operation of enterprises and the rights of the republics). Particular attention should be paid to analyzing the state of the economy and preparing on that basis proposals and finally decisions aimed at further improvement of the state of affairs in the economy.

Our work style is also in need of a more profound change. How was work previously structured in USSR Gosplan: every specialist handled his own section (part) of the national economic plan, and he knew it perfectly.

Now, we have given up direct influence on the economy, and the personnel of every complex have to give more thought to which measures of regulation through economic action, taxes, benefits, and prices they should use to influence economic processes.

And the last thing to which we would like to call attention. Perestroyka has gone on for 4 years. It began with the initiative of the Communist Party. Unfortunately, some people have already forgotten that. Today, it is difficult to find a collective in which they are not putting such important questions as: "The Communist Party and the multiparty system," "The Communist Party, a federal or confederative system, or a union of free and independent states," "The party and ownership issues," "The party and the mass media," "The party and the planned market system," etc. There is no doubt that these are issues that have to be resolved.

But we have to remember that the party cannot be identified, as some people are trying to do, exclusively with those mistakes and violations that have been committed. It cannot be forgotten that the phenomenon of socialism, and there is not a single capitalist country that can clarify it, consists of this: How, in what manner was a state created from peasant Russia with which, for all its shortcomings, the entire world had to reckon? This is an achievement accomplished under party leadership.

Now, our party is resolutely restructuring itself in all its spheres of activity. True, at the present time there is a gap between the old and present-day methods of planning and the economic methods of regulation (we are not successful, we lack flexibility and intelligence). There is a gap in the ideological sphere, because the party has lost sight of certain areas and problems. There is a gap in the sociological area. We are doing a poor job of realizing what kind of socialism we are striving for (work in that direction is lagging behind). But the processes of perestroika are growing. Ever greater democratization of social life is taking place, and glasnost is spreading. This is the pledge that the negative past must not be repeated, although it is true that none of us has the right to dissociate himself from the past which has taken place.

The country stands on the threshold of most important changes in all spheres of its life. And success will depend on the professionalism, vigor, militance, and dynamism displayed by every one of us.

N.T. Borchenko (chief of the department for development of the material and technical base of the APK). The measures pertaining to 1990, 1991, and 1992 have the greatest importance among the interrelated measures the government proposed to the USSR Supreme Soviet. What is to be done to correct the critical situation that has come about with the food supply? There is no question that kolkhozes and sovkhozes are still the decisive force in the agroindustrial complex. But we cannot but take into account that quite a bit of food (50 percent of potatoes and vegetables, 30 percent of meat and milk) is being produced on the private plots of

kolkhoz members and sovkhoz workers (occupying only 7.8 million hectares), where the yield per hectare is quite often 1.3-1.5-fold greater. It would be good, then, to take up the question of the advisability of doubling the size of the homestead plot not, of course, to the detriment of socialized production, and also to create a land reserve which anyone who wishes (including city dwellers) could occupy by cultivating it and growing agricultural products. In addition, it is very important to supply equipment to growers, above all small-size equipment. A network of small shops needs to be created to process produce locally.

On the question of prices. Fuel resources and rate schedules are becoming more expensive (the aggregate increase for agriculture is between 3 and 5 billion rubles). This will seriously undermine the economic motivation of kolkhozes and sovkhozes. If economic incentives are to be operative in the stage of planting, prices of agricultural products in 1990 have to be published even now.

V.N. Fedyushkin (subdepartment chief of the summary department for scientific-technical progress). USSR Gosplan is to work out the state order to solve major problems of the national economy and to create a system of benefits and penalties for enterprises and scientific organizations that will stimulate the development of scientific-technical progress and the concentration of resources (including state capital investments) along its priority lines.

The years 1991-1992 must be a period for retooling and increasing the economic efficiency of the country's production potential through broad use of progressive basic technologies oriented above all toward resource conservation, the environment, and reduction of total production cost. At the same time, the scale of use of new generations of equipment and technology should be expanded, thereby creating scientific-technical potential for the years 1993-1995 and the subsequent period.

In view of the situation that has come about in the economy, as the draft plan is being developed, the orientation must be toward performing a limited number of the most important tasks. At the present time, it is most important to conserve resources and solve environmental problems on the basis of expanded use of progressive basic technologies (such as thorough refining of crude petroleum, continuous steel casting, dieselization of highway transportation, energy conservation, regeneration of secondary resources produced as by-products, and so on).

Nor should we forget about the future. That is why in preparing the plan of the 13th FYP projects are being pursued to shape 14 state scientific-technical programs which will afford the possibility of building up scientific-technical work that can be called upon in the future.

A.L. Mukoyed (deputy chief of the summary department for regional planning and location of the productive forces). The methodological foundations for drafting the 5-year plan of the republic will be shaped so as to take

into account the results of the experiment now being conducted in the Baltic republics, Belorussia, Sverdlovsk and Kemerovo Oblasts, and a number of other areas which have made the transition to the principles of self-government and self-financing. It must precisely be a question of the principles of self-government and self-financing here, not of cost accounting and self-financing, as has unfortunately been written in the official documents. Otherwise, a desire for redistribution could be displayed, and in fact already is.

It is self-government and self-financing that make it possible, without violating the fundamental foundations of the Constitution and without contradicting the published draft of the Law on Property, to make the transition to formation of the budget on a normative basis, to establish its dependence on the efficiency of operation of all enterprises within the area covered by the budget, and to strengthen the material base of the economy.

An important regional issue related to formation of the 5-year plan is the profitability of enterprises operating in the North, in Siberia, in the Far East. As the transition is made to full cost accounting, planned subsidies are not being allocated to them. But wage coefficients are in effect in those regions, so that the size of fixed capital and production cost are higher because of the natural and climatic conditions. They must, then, receive certain planned benefits through prices or the tax system. Unfortunately, this issue has so far not been resolved.

Equalizing the level of development of the republics in the context of self-government and self-financing is a very complicated problem. A special fund is indispensable for this purpose. In the draft being prepared of the general principles for guidance of the economy and the social sphere of the republic and the autonomous republics there is an article that calls for creating a fund for nationwide development, whose resources might be used to develop new areas, to equalize the level of social and economic development of the republics, and to extend aid to regions in natural and environmental disasters. Personnel of USSR Gosplan must take part in the careful working up of the necessary materials so that this very important article is adopted.

V.V. Lomtev (deputy chief of the summary division of machinebuilding). One of the most important lines of structural and investment policy in the period immediately ahead must be consistent formation of a network of small and medium-sized enterprises for specialization by part and function and also enterprises doing custom orders and orders for small production runs making extensive use of the machinebuilding potential. The creation of this network must be based not on new construction, but mainly on detaching a production operation that already exists at large enterprises and developing cooperative relations at the regional level among enterprises in different branches. This cannot be guided from the center, but this kind of effort can and must be organized. A decisive role must be played by the development of new forms of economic interaction of

enterprises located in the same region—creation of various kinds of associations among machinebuilding enterprises for business cooperation.

V.B. Bezrukov (director of the Main Computer Center) touched upon aspects of the methodology for drafting the plan (the logic, the compilation technology, the scheduling, and so on). He noted that today it is becoming decisively important to furnish social guarantees to the population, to achieve physical balance and financial-value equilibrium in the economy. He also covered the problem of feedback and the need to conduct a comprehensive analysis of plan fulfillment.

P.F. Kotayev (subdepartment chief of the summary department of capital investments). Today, we are not systematic enough in analyzing capacity utilization, nor is our logic complete. In a number of Gosplan departments, the withdrawal of capacity from use is supported without the requisite study of materials, and there is no interdiction when calculations of balances are untrustworthy. The visiting of enterprises to conduct an on-the-spot analysis of capacity utilization is a practice that has almost been forgotten. After all, new capacities that have just been activated are in most cases not brought up to rated capacity satisfactorily, achievement of design indicators stretches out over a lengthy period. This lengthens the pay-off time for capital investments and tends to deepen disproportions within and between sectors. A fundamentally different scheme of analytical work, embracing the level of the basic unit and higher levels, must be pursued in Gosplan.

A.G. Shchipantsev (deputy subdivision chief of the department for scientific-technical progress in machinebuilding). Under present conditions, the plan is regarded as the guiding pivot of economic development. Optimum organization of work in Gosplan is important.

Departments must receive on time all the draft versions of laws and methodological documents or proposals for them, above all the methodology for resource supply, benefits and penalties related to the state order, and the system of taxation. A temporary working group should be created from among department representatives to do an analytical forecast. It is advisable to alter the technology for drafting planning documents: to create within the framework of existing structures temporary target-program intercomplex groups of specialists from the interested complexes and departments; to compile a 2-month schedule for preparation of preplanning materials that take into account joint discussion of all stages of work and feedback together with ministries, departments, and NPO's; establish the procedure for personal responsibility for the decisions taken by the department; activate the creative potential of specialists, get away from the multilevel hierarchy in the preparation and submittal of proposals; and organize the practical work of preparing alternative proposals in the drafting of plans.

A.G. Shkursky (deputy chief of the summary department for physical balances and resource conservation). Usually, we speak about the need for full satisfaction of requests for raw materials, supplies, and equipment, but we are silent about resource conservation. Yet the country produces more than twice as much pig iron and steel as in the United States, 4.8-fold more tractors and combines, and 1.8-fold more manufactured fertilizer. We consume between twofold and fourfold more materials per ruble of national income.

Under those conditions, the issue cannot be raised of a sharp increase in production in order to offset the requirement. I therefore consider it very important to approve and implement the state program for resource conservation in the 13th FYP. But the draft version of it has not been taken up by the Economic Council for a long time. Yet it envisages measures that make it possible to double the rate of reduction of metals intensiveness and energy intensiveness compared to those which have been achieved up to now. This is the basis for carrying out social programs. At the present time, we are preparing the initial data which should go down through the entire system of management all the way to the enterprise, so that everyone would have a clear idea of the kind of tasks that have to be performed related to resource conservation. Directive methods are already a thing of the past in the area of resource conservation. This means that resource conservation programs have to be given the indispensable economic reinforcement by a system of taxes, benefits, and penalties. Today, profit still does not exert pressure for resource conservation (while product deliveries under contracts were short 10 billion rubles in 1989, in industry the profit plan was overfulfilled by almost 7 billion rubles). In formal terms, the volume of wholesale trade in 1990 should be about 200 billion rubles, which is comparable to the volume of centrally distributed resources. In 1990, the market is to handle more than 4 million tons of metal, 6 million tons of cement, and 1 million tons of pipe. Still we are unable to say that a socialist market in machines and equipment has already been created. In the present environment, the bartering of products is flourishing.

Under the decisions that have been taken, the relative share of the state order will be reduced in 1991, and the volume of centrally distributed resources will be cut back. This should be taken into account in the draft of the plan. Accordingly, when USSR Gosplan forms the initial data for the draft plan for the period 1991-1992, limit-allowances of centrally allocated resources have to be broken down to all consumers. At the same time, the volume of production under state orders will be furnished resources distributed from the center of the economy, and the consumer must independently acquire the rest through direct ties.

A.G. Sedov (subdepartment chief of the department of contract work) analyzed the results of fulfillment of plans for activation of production capacities over a number of years. In the period 1986-1987, before the transition to the state order, the level of fulfillment of targets for

activation of the projects included in the national economic plan was approximately 75-80 percent. In 1988, the assignment for projects covered by the state order was fulfilled at a level of 62 percent. In 1989, this percentage was still lower, the figure 50 percent has been mentioned here. This is a disturbing trend. Among its causes are the decline of plan discipline, production discipline, and technological discipline; localism; extremely unsatisfactory organization of the work of components for supply and for aggregate delivery of equipment and material and technical resources to construction projects covered by the state order; and the lack of motivation on the part of both the customer and the contractor to build the capacities included in the state order and guarantee their activation on schedule.

The main thing that we have to settle to shape the plan for the 13th FYP in the area of capital construction and in the investment area is the question of the status of the state order. What force does it have? Unless we make it the order of the state, then it continues to be the same kind of fiction as it has been in the year so far. And it is imperative that we solve the problems of material and technical supply.

Ye.I. Uvarov (secretary of the USSR Gosplan party committee) discussed certain aspects of party support and personnel support of performance of the tasks, the program, and the decrees of the congress.

USSR Gosplan is to draft the plan for the country's development along with the program for carrying out the radical reform. But procedures for shaping the plan under those conditions do not exist at all levels: regardless of whether we are talking about Gosplan, the republics, the enterprises, or associations. It would seem that this underestimation of the role of procedure for the drafting of the plan has recently become dominant. Yet the quality of the plan will depend not only on the organization of the effort, but also on the procedure followed in drafting it.

The subdepartment for improvement of methodology and the subdepartment for improvement of planning are now stepping up this effort, but there has been no evident persistence on the part of the collective and the party organization concerning this matter. Twice in the last 1.5 years the party committee has taken up the question of the use of scientific developments in planning practice and the role of party organization of the departments in this area. A general opinion has been developed concerning the present relations between Gosplan and its subordinate institutes, and shortcomings detracting from the effectiveness of use of the potential of Gosplan science in planning practice have been identified. The reason this is happening is because the activity of the institutes is not being coordinated because of the particularly sector-oriented research topic plan of the respective institutes, etc.

The work of the secretaries must be invigorated if there is to be a major improvement in the interaction of the

Gosplan of the Union with subordinate institutes on the basis of greater mutual exactingness and responsibility. All the conditions now exist for that.

The report emphasized a sizable growth of the role and responsibility of specialists of the central headquarters of USSR Gosplan. They are required to have not only profound and professional knowledge, but also the ability to analyze and evaluate the effectiveness and consequences of decisions made and to take them into account in planning activity.

It is advisable to study in the system of political and economic education the drafts of laws in close linkage with the tasks of forming fundamentally new approaches to drafting the plan.

Accordingly, we need to amend and broaden the topics covered in workshops held in the Higher Economic Courses [VEK] and make it familiar to all specialists of Gosplan of the Union.

L.B. Vid (deputy chairman of USSR Gosplan). The collective of USSR Gosplan and USSR Minfin have done a great deal of work to prepare the State Plan for 1990, which, together with the comprehensive plans for development of the union republics and the plans of enterprises, associations, and organizations, comprises that consolidating economic platform capable of unifying the efforts of the workers of the entire country. Its fulfillment will give people a sense that matters have improved on the consumer market and will prevent the loss of that minimum of food which is being supplied from production and imports.

On the question of new approaches to drafting the 13th FYP. They have been defined on the basis of the program of the USSR Government and the decree of the Second Congress of People's Deputies. USSR Gosplan and the central economic authorities must provide the outlines of the 5-year plan so that enterprises can draft their own plans independently.

The end is near in the effort to prepare the new system of taxes, charges, and benefits, new prices, and new interest rates on credit. USSR Gosplan is doing the detailed work to form the reference figures and state orders. Now comes detailed assessment of the resource support of the 5-year plan and of the interaction of all the economic levers, so that the reference points for efficiency can be determined.

Substantiated standard social quotas and allowances are the basis for the economy's social orientation.

Today, it is indispensable that the collective of USSR Gosplan tackle the practical problems related to work on the new 5-year plan on the basis of the general approaches and methods worked out by the collegium.

S.G. Rodin (department head in the Higher Economics Courses of USSR Gosplan) noted the thesis that has become current about the sphere of national economic planning having been truncated does not withstand

criticism. We have to be aware of what this means in practice, in real economic units of measurement. The smaller the sphere in which national economic planning operates, the larger the scale of losses of social labor, the larger the portion of the labor force of industry and agriculture that will be working to no purpose. We might even present it all in figures: the ever increasing losses running into the many billions that society will suffer if the role of national economic planning is allowed to diminish.

The fact that planning work is in need of radical restructuring is another matter. Under the present conditions, the main task of planning is to make a maximum contribution to reduction of the losses of social labor, and I use the reduction advisedly. It is a question of a new strategy and methodology in national economic planning, of the need to make the transition to the methods of normative management of the economy and to the corresponding economic mechanism. To be specific, it is being proposed that a system of standards be developed and used concerning the wage intensiveness of the product. In this way, it would be possible to link remuneration more closely to the end results.

N.Ye. Smetanin (deputy chief of the summary department for consumer goods, light industry, services, and the trade sector). One of the most painful points in our economy is the lack of balance in the consumer market. The principal causes of this are a growth of personal income that does not correspond to the growth of the volume of production and the inadequacy of the physical plant of the sphere for production of consumer goods. It turned out that industry was not ready to respond not only to the explosive nature of the rise of income, but also to the ordinary normal growth of prosperity and the growth of consumer demand.

Capacities are that principal link without which it is impossible to rectify the disproportions that exist today. That is why in the 13th FYP, as the plan is being drafted, the state order for the growth of production of consumer goods needs to be supplemented with a section for the growth of capacities in every national economic complex. It must constitute a unified and interrelated program for solving this problem.

Another important question is the supply of raw materials to light industry. In the 13th FYP, purchases of imported raw materials have to be increased to 3.6 billion rubles for fulfillment of the indicators outlined for production of goods by light industry. But this strategy for solving the problem is economically inefficient.

We ought to create an interdepartmental group of specialists from the summary departments of light industry, the agroindustrial complex, and the wood-chemical complex to work on the problem of the supply of raw materials.

The resolution adopted by the party-economic aktiv outlined measures concerning organization of the work

of the collective of USSR Gosplan to solve the socioeconomic problem facing the country and to prepare the draft plan for the 13th FYP.

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INVESTMENT, PRICES, BUDGET, FINANCE

Possibility of Future Budget Cuts Viewed

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[Interview with V. Panskov, USSR first deputy minister of finance, by EKONOMIKA I ZHIZN: "At a Dangerous Boundary"]

[Text] "The state may find itself at a dangerous boundary if we do not learn to make our desires commensurate with available resources," said V. Panskov, USSR first deputy minister of finance, in responding to questions by EKONOMIKA I ZHIZN.

[EKONOMIKA I ZHIZN] The government's program for stabilizing the economy, approved by the Second Congress of People's Deputies, calls for a sharp reduction in the budget deficit as a priority task. How is this process going?

[Panskov] Today, the budget deficit is almost 10 percent of the gross national product. We have been living beyond our means for a long time now. This was demonstrated particularly graphically in 1986-1988, when state budget revenues (not counting borrowed funds) increased by only 6.3 billion rubles, or 1.7 percent, while expenditures increased by 73 billion rubles, or 18.9 percent. Real steps to eliminate this disparity were not taken until early 1989. Last year, we managed to reduce the union budget deficit envisaged in the plan by 29 billion rubles.

The local soviets of people's deputies have done much work in the union and autonomous republics. The result of this work is not only the elimination of the budget deficit planned for 1989 for the union budgets, but also real additional financial resources in the form of revenues exceeding expenditures in the amount of about 8.5 billion rubles. A further major step for stabilizing the ruble has been established in the country's 1990 budget. As we know, the deficit has decreased to 60 billion rubles, or to 49 billion including the union budget deficit. The measures to radically improve finances, planned by the government and approved by the Second Congress of People's Deputies, are aimed at reducing the budget deficit to 20-25 billion rubles by 1993, that is, to a reasonable level, making it possible to get out of danger.

To carry out this task, during each of the first 2-3 years of the new 5-year plan we must find a minimum of 12-15 billion rubles over and above the natural and necessary

increase in priority state expenditures. In addition, we must find additional resources to implement the laws on pensions and leaves, and this, based on the drafts submitted by the government, amounts to almost 37 billion rubles. As we see, this is not a simple task, and it will require strenuous efforts on the part of all levels of the national economy to mobilize such enormous resources. We will have to abandon the practice of making seemingly necessary expenditures.

The structural reorganization of industry, outlined in the government's program, in favor of the sectors producing consumer goods will be of paramount importance. Our financial well-being will depend decisively on the pace of its implementation. After all, the group "B" sector is not only goods for the people, but it is also a high-revenue sector of the economy for the state. Presently, the financial return from the group "B" sector exceeds the financial return from the group "A" sector threefold.

But it is clear to everyone that structural reorganization of industry is not something that happens quickly; it cannot yield an immediate return. And considerable material and financial resources will be required to accomplish it. Evidence of this is the conversion of our defense industry. So far, this price has required more than 7 billion rubles of the state in 2 years (1989-1990). This involves reducing the profits of industry (this burden falls almost completely on the union budget), an increase in expenditures for civil science in defense sectors, and other inevitable expenses. And the anticipated increase in state revenues by virtue of the increase in production volume of consumer goods in these sectors mainly goes beyond the current 5-year plan.

The government's program also contains other serious and decisive steps, making it possible to stabilize and then make positive changes in the country's economic situation. Now it is especially important to not aggravate the situation, to hold the increase in budget outlays in check, and closely link our demands, including in the social sector, with the capabilities of a floundering economy.

[EKONOMIKA I ZHIZN] What are the future trends in the search for financial resources?

[Panskov] Limiting the size of the budget deficit mainly by reducing expenditures for national defense and capital investments in the production sector of the economy has already been exhausted. Suffice it to say that we have been able to obtain a savings of about 40 billion rubles on these state budget expenditure items in 1988-1989. All the remaining expenditure sections of the state budget have also been subjected to a rigid clearing: subsidies to unprofitable and low-profit enterprises and associations, credits granted foreign states and the size of gratuitous aid being given them, expenditures for government, and also expenditures for certain other non-priority purposes have been cut in the sum of more than 10 billion rubles. As a result, the budget expenditures, not counting items which it is either impossible or

inadvisable to reduce in today's conditions, should decrease by 16.5 billion rubles in 1990 compared to 1989, or 9.5 percent.

The resulting structure of the USSR state budget expenditures no longer makes it possible to continue a mechanical reduction of state outlays in the future. This primarily has to do with the fact that the bulk of the expenditures in the state budget is made up of items which, based on the social policy being implemented, can only increase. This involves financing the social and cultural sphere (public health, public education, mother-and-child care, payment of pensions and benefits, and so forth), housing construction and capital investments in development of consumer goods production and the agroindustrial sector, centralized measures to raise the standard of living, and certain other types of outlays. A second group is the payment of subsidies and supplementary payments for food, and housing and communal facilities maintenance, the reduction of which is objectively impossible without serious changes in retail prices, tariffs, and apartment payment rates. This group also includes state outlays to service domestic and foreign debt (to pay off state domestic and foreign loans, to pay interest on them, and so forth) and certain other expenditures.

In the national budget approved for 1990, outlays for these purposes are more than 332 billion rubles, or almost 70 percent of all the budget expenditures.

What makes up the remaining 30 percent of all the budget expenditures? Above all, this is military expenditures (70.9 billion rubles, or 14.5 percent of all budget expenditures). There are permissible limits to reducing them, beyond which, for quite understandable reasons, the question of our security arises. As we know, we have reduced spending for these purposes by more than 11 billion rubles in the last two years. A reduction in purchases of offensive weapons and individual types of aircraft and missiles will make it possible to reduce these costs in the future, too. But much here will depend on the results of the negotiations now in progress in Vienna and Geneva.

Financing capital investments for industrial construction (not counting the agroindustrial sector and enterprises producing consumer goods) is set at 9.8 billion rubles. Here the bulk goes to outlays for developing the country's fuel and energy complex (8.9 billion rubles). This figure is already at a critical level, and further cuts, in my opinion, are hardly justified and, perhaps, economically disadvantageous. This could result in a curtailment in construction of the most important national economic projects and an extremely dangerous reduction in starts in construction of fuel and energy facilities, with quite unfavorable consequences for the entire economy in the future.

Expenditures to finance losses in export-import operations in the country (amounting to 7.4 billion rubles) are linked to the inefficient structure of our exports, and

often to the need to obtain freely convertible currency (sometimes at any price) to purchase needed equipment, machinery, and consumer goods. There are considerable reserves here for reducing state spending, and they certainly should be used.

All the remaining budget expenditure items come to just over 69 billion rubles. They include many that are important for stabilization and further improvement of our economy. But even reducing them by 20-25 percent (which is practically unrealistic) will yield no more than 14-17 billion rubles in additional financial resources.

One serious conclusion can be drawn from what has been said: Having made incredible efforts for a further mechanical reduction in state spending and having decisively limited to the maximum extent possible every conceivable budget expenditure, we would at best gain no more than 2-3 billion rubles of annual savings. It would not be enough even for a substantial decrease in the existing budget deficit. Furthermore, we cannot rule out a natural increase in expenditures for the social sphere, brought about by the expansion of health, education, and cultural facilities and implementation of the housing and food programs.

[EKONOMIKA I ZHIZN] But one frequently hears assertions about unwarranted state budget expenditures. How much of this is true?

[Panskov] Today, there are virtually no budget expenditures that remain closed to society. As we can see, assertions about the allegedly excessive expenditures of our budget, saving remedies of eliminating gaps in the budget by reducing unnecessary outlays and irrational expenditures, and eliminating all sorts of benefits and privileges are clearly absurd. All these conjectures are intended for simpletons and brought out only to earn political capital.

We all must at last understand: Radical measures in the area of price formation, taxation, development of a market, social policy, and so forth are needed to correct the critical situation in the country with finances as well as in currency circulation. But taking these measures itself will not provide an instant return; it will take a fairly long time for these levers to begin working at full force.

[EKONOMIKA I ZHIZN] There are quite a few pressing problems in our society today. Finances are required to resolve each of them. How do the workers at the Ministry of Finance feel in the situation that has developed?

[Panskov] We cannot stabilize the consumer market by simultaneously setting the task to immediately solve all the social problems that have accumulated in 70 years. By the same token, it is impractical to reduce the budget deficit by sharply decreasing the taxation of enterprises and the population and also by increasing investments in the agroindustrial sector of the economy, as well as in the social sector.

Unfortunately, one has to talk about these elementary truths, since a paradoxical situation has taken shape in our country. Some demand (and having real power, frequently implement this) that taxes be reduced, that problems of the ecology, public health, education, science, and culture be immediately resolved, and that the material and social situation of rural workers, miners, and railroad workers be improved. At the same time, they propose increasing the financial capabilities of enterprises, writing off credits received earlier and issuing new credits, and resolving many, many other painful problems. It falls to someone else's lot, against the background of a sick economy, to search feverishly for new ways and avenues of additional financial resources and limiting consumption.

Everyone understands perfectly well (or at least should understand) that today there is no easy way out of the critical situation that has taken shape in finances. But then, any decision made by the executive power that hurts someone's interests is now criticized by both radicals and conservatives.

Take, for example, the dispute over increasing wholesale prices for diesel fuel and rates for freight shipments by all types of transport. They try to make it look as if the government and the Ministry of Finance carried out this operation on the sly, without asking anyone or consulting anyone. We may ask: Where were the people's deputies and those same trade union, ministries, and enterprises when the Ministry of Finance and the government submitted the draft 1990 budget? After all, all these prices and rates were contained in it (this was one of the budget deficit reduction measures), and this was reported for all to hear in the USSR Supreme Soviet commissions and committees, which thoroughly studied and analyzed the submitted draft budget for almost two months. The journalist corps and representatives of our respected trade unions worked actively at these sessions. These prices and rates were included in the draft finance plans of the ministries and departments which were to be disseminated to enterprises and associations back before approval of the budget. Did everyone know and keep silent? Maybe there was some meaning to this silence: If these proposals were rescinded during the course of discussing the draft budget, the budget deficit would increase and, consequently, they would have to use all of society to find financial sources right away and would have to take them from someone to do this. Consequently, it would cause dissatisfaction among certain social groups. It was easier to say nothing and, later, when the plan and budget took the form of law, speak out sharply against this measure, forcing the executive power to look for resources, placing it face to face both with the population and with enterprises. Things got to the point where one correspondent (IZVESTIYA, 14 Feb 90, Moscow evening edition) accused the Ministry of Finance of interest in a particular sector (?) and a desire to report a balanced budget.

Of course, it would be much more pleasant to make and adopt proposals directly aimed at improving people's

standard of living and reducing financial pressure at enterprises. And the main thing—this is politically advantageous. Therefore, such laws are easily passed; the argument is only about whether all social groups are covered, whether enough money is being allocated for

this, and so forth. But where to get this money with which to put goods on the store counters in the future? They somehow forget about this. This is, they say, a matter for the executive power. That is why it exists, to look for this money and these goods.

USSR State Budget Expenditures in 1988-1990 (in billions of rubles)

	1988		1990		Deviations (+ or -) as Against			
	Approved by USSR Supreme Soviet	Actual	Approved by USSR Supreme Soviet	In Percentage of Total Expenditures	Approved Plan	Actual Fulfillment	Billions of Rubles	Percent
Total expenditures	443.6	459.5	489.9	100.0	+46.3	+10.4	+30.4	+6.6
Including:								
1. Expenditures which cannot be reduced in today's conditions	101.9	109.8	131.1	26.8	+29.2	+28.7	+21.3	+19.4
including:								
Subsidies for maintaining socially low prices for food, medicine, individual types of consumer goods, municipal services	56.4	62.0	67.0	13.7	+10.6	+18.8	+5.0	+8.1
Subsidies for production of individual types of products, raw materials for light industry and coal, and differential surcharges on agricultural products	36.4	38.0	49.1	10.0	+12.7	+34.9	+11.1	+29.2
Servicing state debt:	9.1	9.8	15.0	3.1	+5.9	+64.8	+5.2	+53.1
—domestic debt	5.3	5.2	8.8	1.8	+3.5	+66.0	+3.6	+69.2
—foreign debt	3.8	4.6	6.2	1.3	+2.4	+63.2	+1.6	+34.8
2. Expenditures which it is not advisable to decrease:	177.6	175.7	201.3	41.1	+23.7	+13.3	+25.6	+14.6
—social and cultural measures (not including science and capital investments)	124.3	122.9	144.6	29.5	+20.3	+16.3	+21.9	+17.7
—construction of housing and cultural and communal facilities	26.3	26.3	25.6	5.2	-0.7	-2.7	-0.7	-2.7
—production construction and other outlays in the sphere of consumer goods production and the service sector	19.0	18.5	17.7	3.6	-1.3	-6.8	-0.8	-4.3
—centralized measures to increase the population's standard of living	8.0	8.0	13.4	2.8	+5.4	-	+5.4	-
3. All remaining expenditures which can be reduced without detriment to the development of the economy, taking into account specific socio-economic and political conditions:	164.1	174.0	157.5	32.1	-6.6	-4.0	-16.5	-9.5
—military spending	82.5	82.5	71.0	14.5	-11.5	-13.9	-11.5	-13.9
—state government	3.0	3.0	2.9	0.6	-0.1	-3.3	-0.1	-3.3

USSR State Budget Expenditures in 1988-1990 (in billions of rubles) (Continued)

	1988		1990		Deviations (+ or -) as Against			
	Approved by USSR Supreme Soviet	Actual	Approved by USSR Supreme Soviet	In Percentage of Total Expenditures	Approved Plan		Actual Fulfillment	
					Billions of Rubles	Percent	Billions of Rubles	Percent
—maintenance of law enforcement bodies	8.1	8.0	9.6	2.0	+1.5	+18.5	+1.6	+20.0
—expenditures associated with foreign economic activities	18.1	23.9	20.7	4.2	+2.6	+14.4	-3.2	-13.4
—financing science	8.7	8.7	10.9	2.2	+2.2	+25.3	+2.2	+25.3
—production construction	20.1	20.5	9.8	2.0	-10.3	-	-10.7	-
—other expenditures	23.6	27.4	32.6	6.6	+9.0	+38.1	+5.2	+19.0

During the course of discussing the draft budget at the Second Session of the USSR Supreme Soviet, commissions and committees of the Supreme Soviet submitted additional proposals to increase the country's state budget expenditures by several tens of billions of rubles. And not a single one of these commissions and committees made specific proposals on the sources for financing them. The proposals on introducing additional benefits for the population amounting to more than four billion rubles (by the way, necessary, extremely necessary), clarified after long negotiations, that were submitted for consideration of the session, were passed without lengthy discussion. But the question is: How will these measures be financed without exceeding the budget deficit limit, set, as was already stated, at 60 billion rubles and the planned currency of 10 billion rubles? The sources proposed by the Budget and Planning Commission, including raising prices for nonessential goods, were categorically rejected. An utterly "simple" solution was found—pass these problems on to the government to solve. That is how the third item of the USSR Law on the USSR State Budget for 1990 emerged, which called for instructing the USSR Council of Ministers, true, jointly with the Budget and Planning Commission and the Commission on Questions of Labor, Prices, and Social Policy, to come up with the shortage in financial resources by reducing expenditures and increasing revenues for budget items, including increasing prices for nonessential consumer goods.

The idea of raising prices for a number of goods not affecting the vital interests of the main sections of the population did not originate by chance. The fact is that the additional 1990 budget expenditures passed by the USSR Supreme Soviet, including introducing a preferential rate for electrical power supplied to rural residents for everyday needs, required not only financial sources, but also material sources. If additional goods are not produced, or services rendered, or the population's incomes reduced by the same amount, the printing press will again begin operating and putting currency into circulation, with all the resulting negative consequences.

The government decreased 1990 budget expenditures by 1.2 billion rubles over and above the amounts approved by the USSR Supreme Soviet. Financial sources were also found for introducing the preferential rate for electrical power. But what is to be done about the corresponding commodity defrayment of the population's monetary income additionally arising due to this? You can write any figure down on paper, but the fruits of this will be continuing inflation and a further emptying of the shelves in stores. Hence, the increase in gold prices. Today, he who accuses the government of making this decision does not understand or consciously does not want to understand the situation that is really taking shape.

[EKONOMIKA I ZHIZN] If it is impossible to reduce spending, maybe we will be able to correct the country's financial situation by increasing budget revenues?

[Panskov] To answer this question, let us look at what comprises these revenues.

Unfortunately, a natural process is taking place in the national economy—in a failing economy with an inoperative market, efficiency of production decreases, the rate of its growth drops, and there frequently is no growth at all, and a recession emerges in some places. Hoping for an increase in state budget revenues without increasing taxes is believing in miracles. Although, I must say, quite a few recipes are being proposed for a miraculous transformation of Cinderella into a princess.

For example, it is proposed to lower the tax rate on profits from 55 percent under the draft Law on the Tax System (but taking into account the tax privileges provided, it would be about 50 percent, that is at the current level) to 34 percent (like in the United States). There would be a gain by increasing the mass of taxes with a sharp increase in the volume and scale of production and, accordingly, profits. But who has proved that the current average rate of payments to the state budget from profits in an amount somewhat below 50 percent is excessive? After all, this is the average rate, and even

within sectors it fluctuates from 0 to 80 percent. But with such a rate now enterprises have accumulated more than 120 billion rubles of economic incentive funds, including surpluses of the production development fund of 24.5 billion rubles, or 24 percent of the annual deductions. This is a huge amount, and it is still not apparent that these surpluses are motivating enterprises to expand production.

Apparently, today it is not only and, perhaps, not so much a matter of the tax rate on profits as it is a matter of the economic mechanism itself. For the time being it is more advantageous not to expand production but to earn funds for wages and social needs by other methods. Having lowered the tax rate by looking to the West, we must bear in mind that every point we lower the tax rate reduces budget revenues by more than 1.5 billion rubles. By taking the tax rate in effect in the United States, or 34 percent, as the basis, our budget immediately will lose more than 30 billion rubles. In today's situation, this will be a powerful lever for pushing our economy over the edge.

I think the time has come to distinctly and clearly tell the people that today the state has neither the financial nor material resources for immediately solving all the problems that have accumulated. A further social burden on the budget and a decrease in tax rates can lead to the most severe consequences.

We must talk about this also because the country has been swept over by a wave of demands on local authorities, the government, and the USSR Supreme Soviet to solve pressing social problems immediately. They are being made both by workers in various sectors of the national economy (miners, railroad workers, agrarians, and so forth) and by territorial and central formal and informal public organizations. Numerous draft programs are being prepared for solving all pressing problems: problems of the young people and students, pensioners and the disabled, public health and education, culture and sports, motherhood and childhood, and so on and so forth. Just the drafts which the USSR Ministry of Finance has already received require additional financial resources amounting to more than 40 billion rubles a year (this is without counting the sums for the draft laws on pensions and leaves submitted by the government). It cannot be said that these drafts are making any special demands. It is just that we simply have not given proper attention to the social sphere for so long. But all the pressing problems cannot be solved with the wave of the hand!

If we do not stand up to the pressure of enterprises and certain scientists in approving the Law on Taxation of Profits, we will lose considerable resources, as has been shown. Based on the present situation, when everyone wants to divide but not multiply, from all appearances, we also cannot pass the proposal on increasing rates for social insurance. After all, the funds received from the population today meet only half the needs for state social

insurance and social security of workers. Not a single country in the world can permit itself such a luxury.

Where, one may ask, do we get the money to carry out social programs? There is only one way left—increase production efficiency, but this talked about under one's breath today. It is easier to hold rallies, demanding it be given, than it is to work to earn it.

The measures developed by the government to stabilize the economy make it possible to solve many problems in the area of finance and currency circulation. They need nationwide support, support by deeds, not words. But we must clearly understand that the return from implementing these measures will not be immediate. Raising the efficiency of the economy and receiving greater profits in return for this is the only recipe for improving our life.

REGIONAL DEVELOPMENT

Interrepublic Trade Turnover, Income Distribution Studied

904A0230A Moscow *EKONOMIKA I MATEMATICHESKIYE METODY* in Russian No 1, Jan-Feb 90 pp 93-104

[Article by A.G. Granberg, Novosibirsk: "Problems of Interregional Economic Relations"]

[Text] *The article reviews a broad range of interregional relations associated first and foremost with the transition of regions to economic independence. An interpretation of such concepts as the Pareto optimum, the core and equilibrium is given pertaining to the problems under discussion. Problems in measuring the net balance of mutual ties among republics are discussed.*

1. A New Situation

Research into the economic principles of the Soviet federation and the mutual economic relations of republics and regions has been at the periphery of our science for a long time. Attempts at an objective analysis of the efficiency of the prevailing territorial division of labor, the vested interest of the republics and regions in collaboration, their actual contribution to the nationwide economy and the equivalence of interregional (interrepublic) ties are not only not supported by state administrative bodies, but have even been evaluated negatively in an ideological sense as undermining faith in the unselfish and inviolable friendship of peoples.

The situation began to change during the preparations for, and especially after, the 27th CPSU Congress, which made the fundamental decision to strengthen the territorial approach to managing the national economy, expand the economic rights and responsibilities of the union republics and local soviets and establish a closer dependence between the efficiency of regional production and the volumes of resources received by the population of the region to satisfy their own needs. These

provisions were made more concrete and profound at the 19th All-Union Party Conference and were later concentrated around the idea of "regional economic accountability."

The center of gravity of the economic reform measures being prepared was shifted to the republic and local levels in 1989. This not only corresponds to the logic of restructuring the mechanism of economic operation, but is also a forced reaction to the financial crisis, discord in the consumer market, a worsening of relations among national groups and the demands of the population of regions with especially grave social and economic conditions. It is natural that the "regional economic accountability!" slogan was advanced during the election campaign for USSR people's deputies and during the mass strikes as well. Tempestuous debates on the problems of mutual relations between the center and the republics and their economic sovereignty, as well as regions, took place at the 1st USSR Congress of People's Deputies and sessions of the new USSR Supreme Soviet. The USSR Law on the General Principles for Guidance of the Economy and the Social Sphere on the basis of an expansion of their sovereign rights, self-management and self-financing, along with the USSR Law on the General Principles of Local Self-Management and the Local Economy, are being widely discussed in the union republics.

The new regional mechanism of economic operation is planned to be instituted universally as of the beginning of 1991. A number of republics, oblasts and cities, however, are already prepared to switch over to it in 1990. Differences have arisen on some aspects of regional economic accountability (see, for example, (1) and (2)). The main problem, however, is not making the concepts of regional economic accountability universal, but rather in seeking out an optimal synthesis of them. It is thus external rather than internal issues of it, affecting the interaction of the union republics and the centers and relations among republics and regions, that are the most acute. A federation or a confederation of republics, for example (in the essence of economic functions), the breakdown of nationwide ownership among republics and regions, centralized and contract price formation in interregional relations, the mutual relations among budgets at various levels, the institution of special republic currencies, the principles for the formation or distribution of nationwide and interrepublic allocation funds and the like. Debates have been held on some of these issues at the USSR congresses of people's deputies and the USSR Supreme Soviet, but they have not provided any exhaustive answers.

What is the chief danger herein? While eliminating the administrative dictate of central agencies, economic pressure by regions or unilateral decisions by them that encroach upon the interests of others, aggravate the situation in interregional markets and diminish the overall efficiency of the national economy of the USSR cannot be permitted. Differences in the starting socio-economic positions and resource potentials, the uneven

transition of regions to economic methods of management, the monopolism of producers and a disorganized market leave many opportunities for negative phenomena.

"Living" experiments in restructuring interregional (and especially interrepublic) relations are obviously exceptionally risky and can cause unforeseen and irreversible economic, social and political deformations. It is thus important today to expand and accelerate research into the mathematical modeling of these processes.

2. Basic Concepts and Measurements of Interregional Relations

The economic ties among regions are the most important manifestation of the territorial division of social labor. The concentration of certain types of activity in the regions that possess the most favorable conditions for it, along with the intensive interregional exchange of their output, is a general law of the development of both world and national economics.

Methods of analyzing various forms of interregional ties from the point of view of their intensiveness, efficiency and influence on the regional and national economy have been widely illuminated in the literature on the disposition of productive forces and economic geography. The most summarized information on interregional ties in the output of material production is presented in the regional intersector balance sheets. They are developed in the USSR (in value terms) regularly for the union republics and sporadically for individual economic regions of the RSFSR. The interregional intersector balance sheets (3) are constructed based on the information in the regional balance sheets.

Interrepublic turnover (including exports and imports) comprises 46-62 percent of the gross social product generated and up to 70-80 percent of the volume of industrial and agricultural production, with the exception of the largest republics (RSFSR, Ukraine, Kazakhstan) (see table). Interrepublic and interregional ties are most developed in the fuel, metallurgical, machine-building and timber industries as a result of the concentration of those types of production in a limited number of regions. The share of interregional relations (among the union republics and the economic regions of the RSFSR) in the distribution of coal produced is 30 percent, gas 75 percent, oil 80 percent, ferrous metals 40 percent, mineral fertilizers about 50 percent and machinery and equipment, over 70 percent. An overwhelming portion of non-ferrous metals output (up to 70-100 percent) is shipped beyond the borders of the producer regions. The interrepublic exchange of the products of the light and food industries is exceedingly significant thanks to the broad assortment. The republics specializing in their output ship 30-50 percent of the items to other regions, and at the same time the republics satisfy 20-40 percent of their requirements by incoming shipments from them (including foreign imports).

Share of Products Shipped In (Including Imports) and Products Shipped Out (Including Exports) of the Gross Social Product, 1987, Percent %

Republic	Shipments in	Shipments out
Belorussian SSR	28.0	29.7
Uzbek SSR	27.1	18.8
Kazakh SSR	24.3	13.1
Georgian SSR	26.4	25.1
Azerbaijan SSR	22.1	26.9
Lithuanian SSR	31.3	26.3
Moldavian SSR	31.7	30.1
Latvian SSR	31.5	26.4
Kirghiz SSR	29.4	19.3
Tajik SSR	33.7	22.1
Armenian SSR	29.1	28.4
Turkmen SSR	28.4	23.5
Estonian SSR	33.6	27.1

It may be assumed that the unique features of the regional national-economic complexes and the chief advantages of the specialization of production are utilized, and that a mutual supplementation of the economies of the regions occurs, thanks to interregional exchange. The republics, operating in isolated fashion from the unified national-economic complex, would suffer enormous economic and social losses. It does follow from that, however, that the objective possibilities and advantages of the territorial division of labor in the USSR are being used efficiently enough. The ideology and practices of stagnation also had an effect on this sphere of socio-economic life. The USSR has come to be inferior to the countries of the EEC in the rate of cooperation.

Interest in what the republics "give" and "get" has risen sharply in connection with the discussion of problems of republic economic accountability. Calculations of the net balance of interrepublic exchange of the output of material production are resorted to most often for an answer to this question.

Only Belorussia and Azerbaijan had a positive net balance of exchange for the output of material production according to data for 1986 and 1987 (including exports and imports), while all the rest of the republics had a trade deficit. This paradox (13 out of 15 republics with a deficit) is explained by the unique accounting for exports and imports. There is a positive net balance in the USSR when measured in foreign-trade prices; the volume of imports rises by tens of millions of rubles (by 34 billion in 1987) when measured in prices for the end products (as is common in the practice of constructing the intersector balance sheets), since consumer goods sold on the domestic Soviet market at increased prices, including sales taxes and various surcharges, predominate in its makeup. An analysis of the interrepublic exchange of domestic products ("net" interrepublic exchange) thus

provides a more objective picture. The following circumstance, however, must be noted.

The USSR obtains the greater portion of its foreign-currency receipts from exports of fuels and raw materials that are supplied chiefly from the RSFSR, especially the eastern regions. The export volume of the RSFSR was 2.5 times the exports of all the other republics taken together, and their imports are thus basically an economic consequence of the export of products produced in the RSFSR.

The RSFSR and Ukrainian, Belorussian, Georgian, Azerbaijan, Moldavian and Armenian SSRs had a positive net balance of interrepublic trade of domestic products in 1987; the other eight republics had negative ones with varying levels of economic and social development. They were, on the one hand, Central Asia and Kazakhstan, and on the other, the Baltic region (Latvia had a small positive net balance in 1986).

Recalculations of the imports and exports of products in foreign-trade (foreign-currency) prices, as was done in particular by the SOPS [Council for the Study of Productive Resources] of USSR Gosplan, are advisable in view of the expanded direct access of republics and regions to foreign markets, as well as allowing for the prospects for the convertible ruble.

The results of product exchange improve when converted to foreign-trade prices for the RSFSR, UkrSSR and Azerbaijan and Turkmen SSRs, which have a considerable share of fuels, metals etc. in their export patterns. The situation of the republics that export consumer goods and import fuels and raw materials are markedly worsened. The negative net balance of the Baltics, for instance, increases by 2.8 times, and that of Georgia by 6.5 times. The negative net balance in the Baltic republics (allowing for imports and exports) reaches almost 1,000 rubles a year per inhabitant. These figures make no claims of precision, although they do indicate the likely trends in the mutual economic relations of the republics when prices are reviewed. The necessity of using prices whose nature corresponds to relations of economic accountability among the republics evokes no doubts.

These data typify the movements of products along the channels of material and technical sales and supply along with wholesale, retail, state and cooperative trade. They do not, however, fully take into account the movement of goods that are sold by private individuals or, most importantly, purchases of goods by visiting residents of other republics. This interrepublic trade turnover could be evaluated according to the interrepublic movements of money. According to my calculations, for example, the annual influx of that money into the Baltics and Belorussia from the other republics totals a minimum of 1.6 billion rubles. These flows are large (both plus and minus) for the other republics as well. If we add (or deduct) these sums to or from the recorded imports and exports of products, the net balance of Georgia becomes

negative (and increases even more for Central Asia and Kazakhstan, which export money), and positive for Latvia and Estonia.

Whence the conclusion that the techniques for measuring ties among republics are insufficiently developed, and erroneous and speculative judgments based on the accessible sources of information are thus not ruled out. And the problem of equivalence in relations among republics, after all, has now left the realm of theoretical debate and entered into practical activity.

Improvements in the territorial division of labor and the creation of a normally functioning nationwide market (with active foreign ties) cannot be accomplished through centralized planning alone. Even planning solutions that are ideal from a nationwide viewpoint will inevitably be blocked by a multitude of differently inclined departmental, local and group interests. A restructuring of the whole economic mechanism of mutual relations between the center (and its functional bodies) and regions and enterprises based on the principle of a "balance of interests" is essential. New requirements for the scientific substantiation of the dispositions of productive forces, regional development and interregional economic ties arise from that as well.

Three concepts have paramount significance for a systematic analysis of interregional economic relations: the Pareto optimum, the core and economic equilibrium.

The **Pareto optimum** in a multi-regional system is the set of such variations of development of the national economy that cannot be improved for certain regions without worsening the situation of others. Ascertaining the optimal Pareto (or efficient) variations is a task that has been mastered in practice. The principal optimized interregional model, which has been employed for a long time at the IE OPP [Institute of Economics and the Organization of Industrial Production] (see (4), (5)), defines as efficient variations that satisfy the following conditions (aside from resource-technology ones): maximize the standard of living of the population of country z (the fund for non-productive consumption and non-productive accumulation, for example) at some ratios of regional standards of living $z' > \lambda z'$, where r is the number of the region, $\lambda > 0$, $\sum \lambda = 1$. The solution where any allowable vector $\Lambda = (\lambda)$ provides an efficient variation. We obtain various points in the Pareto set by varying Λ , thereby imitating the possibilities and consequences for bringing regional standards of living closer. The technique for analysis is set forth in detail in (6).

This concept of optimality is quite weak: it assumes a fixed composition of participants in a system (all regions of the USSR) and does not allow for the possibility of independent actions by individual regions or coalitions of them. The next one is stronger.

The **core of a multiregional system** is the set of variations of development in the implementation of which all of the regions have a vested interest in the sense that it is not advantageous for them to leave the system, forming

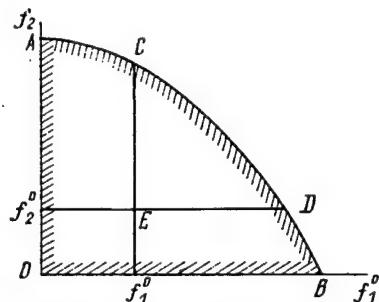


Fig. 1. Impact of Interregional Economic Interactions

some coalition. A depiction of the correlation of the Pareto optimum and the core is provided in Fig. 1.

It is assumed that regional-management bodies, expressing the interests of their region, strive to construct and realize such plans as would best satisfy the requirements of the population with existing capabilities. Let the levels of satisfaction of the requirements of the populations of regions 1 and 2 be measured by the dedicated functions f_1 and f_2 .

If each region operates autonomously (does not enter into interregional cooperation), the maximum allowable values of the dedicated functions will be f_1^0 and f_2^0 . The efficiency of the system increases when cooperation is organized and where the regions combine their resources and technological capabilities and exchange the output they produce. The maximum achievable states are described by the curve AB . This is the Pareto optimum. Each point on curve AB is a variation for satisfying the requirements of two regions where one of them cannot be improved without worsening the situation of the other. Variations belonging to curve AB are preferable to all those within the set AOB . Variations that lie left of point C , however, are disadvantageous for region 1, and points lying below point D are not favorable for region 2.

Regions have a vested interest in economic collaboration only when it provides them with an additional impact. The set of variations CD possesses this trait. The segment CD includes the variations with the greatest gain from economic collaboration. This is the "core of the economic system." The choice of solutions should be made only among the variations that belong to the core.

A number of experimental works to measure the economic contribution of regions to the development of the national economy of the USSR, the efficiency of the interaction of coalitions of regions and the core of the territorial system of the USSR and the interregional impact in the spheres of distribution and consumption (see (7) and (8)) have been done at the IE OPP.

Fig. 2 gives the shape of the core of the USSR economy as composed of eight macro-regions: 1) the union republics of the European part of the USSR; 2) the European part of the RSFSR (excluding the Urals); 3) the Urals; 4) Kazakhstan; 5) Central Asia; 6) West Siberia; 7) East Siberia; and 8) the Far East¹.

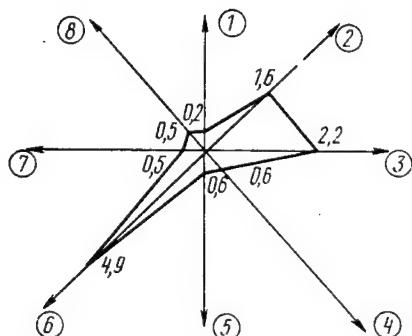


Fig. 2. Shape of the Core of the USSR Economy

The beginning of the coordinates (the inner point of the core) corresponds to some central decision. The numbers at the top are the maximum possible increases in the share of the regions in the nationwide consumption fund in percentage points compared to a central decision in which all regions preserve their vested interest in economic collaboration. The shape of the core in Fig. 2 is a blanket, as it were, and each participant can allow the others to pull it toward their own side only up to a certain limit. When that limit (rise in the share of consumption of certain regions at the expense of others) is exceeded, collaboration becomes disadvantageous for someone and he could leave the game.

The most important factor conditioning the formation of the core, as analysis shows, is the complementary nature of the economies of the macro-regions of the USSR thanks to trade in fuels, raw materials, timber, cotton, foodstuffs, specialized machinery and unique vehicles. It could be stated in this manner: if all of the regions were not included in the core of the economic system of the USSR, centrifugal tendencies and strivings to form economic coalitions of several regions would arise objectively.

Finally, the third of the basic concepts of interregional economic interaction is **economic equilibrium**. Its formulation (as well as quasi-equilibrium) permits many modifications. Some of them are being researched at the IE OPP via modeling of the economic interaction of regions (9, 10). One of the standard postulations is formulated as follows: if each region composes a plan proceeding from the interests of "its" population, then under what general economic conditions (trade prices, taxes, subsidies and the like) will the combination of regional plans provide a balanced solution for the whole national economy? The possibilities for the equivalence of interregional relations, properties of equilibrium prices, the correlation of economic equilibrium and the core of the economy of the USSR etc. are being studied experimentally within the framework of this and similar postulations.²

A natural, albeit partial, instance of economic equilibrium in a closed system of regions is when, for each of

them, the net balance of trade (or payments), as measured in equilibrium prices, is equal to zero. The correlation between the regions is then equivalent in the full sense of the word.

The principle of equivalence is often considered an essential condition for the transition of regions to economic accountability (self-financing). It should be kept in mind, however, that mutual vested interest in interregional exchange can also be achieved in non-equivalent exchange. (This arises from the concept of the core.) The development of the world economy testifies that international trade and financial ties also expand rapidly even with considerable (hundreds of billions of dollars) trade imbalances for many countries. The equivalence of exchange is an ideal case of reciprocated and efficient ties. It is thus not valid to reduce the problem of the efficiency and equity of interregional relations to equivalence alone. But research into these relations from the point of view of equivalence is important for an understanding of the operative mechanism of economic operation and determination of directions for restructuring it.

We will dwell on measuring the equivalence of relations among union republics. We will analyze three descriptions of it: the net balance of interrepublic trade of products (partially supplemented by data on the migration of monetary resources of the population), the correlation of national income produced and utilized, and the redistribution of financial resources among the union and republic budgets. The net balance of product trade among republics was discussed above. We will now present some data on the other descriptions of equivalence.

The amount of national income produced by the republic is described not only by the ultimate result of the reproductive process on the territory of the republic, but also by the resource potential for the resolution of social tasks. The latter is becoming especially important with the transition of the republics to self-management and self-financing. The indicators of the creation of national income per capita and per employee in the material sphere (the producer of social labor) are thus utilized more often than others to compare the levels of economic development (or development of social production) of republics and regions.

The maximum gap between, say, Latvia and Tajikistan in the creation of national income per capita is presently greater than 2.8 times. It has been affirmed over the course of many years that a process of equalizing the levels of economic development of various regions has been steadily underway in the USSR, and this problem has virtually been solved in relation to the union republics (see the Report of the CPSU Central Committee to the 27th CPSU Congress). An analysis of the statistical data, however, testifies that the process of differentiation is at least not decreasing.

The mechanism of economic operation that exists in the country, despite the presence of redistributive relations, maintains a high correlation between national income produced and utilized on the territory of the republics. The difference between these indicators is relatively small for most of them and rarely changes sign. A persistent excess of national income utilized over that produced is preserved only in Kazakhstan (19.8 percent in the 11th Five-Year Plan and 17.2 percent in 1986) and Central Asia (6 and 6.4 percent). These calculations contain systematic, as well as random, inaccuracies in statistics and flaws in price formation and the distribution of sales taxes. Kazakhstan and Central Asia, thanks to the importation of material resources from other republics, are somewhat closer to the average nationwide level. The maximum gap among the republics in the utilization of national income is 2.35 times.

Certain financial flows correspond in principle to the material-resource ties among the republics. Analysis of them, however, is made much more difficult by the lack of the essential data. Kazakhstan (19 percent of total income) and the Central Asian republics (14-21 percent) should receive direct subsidies from the all-union budget in 1989. The picture is less clear for the other republics, which do not formally receive subsidies.

The share of receipts from the republic economy in the budget income of the republics presently totals an average of about 21 percent, and fluctuates from 12 (Kirghizia) to 30 (Ukraine) percent for individual republics. A considerable portion of the income from economic activity in the territory of the republic is withdrawn to the all-union budget. All-union enterprises still pay just 5 percent of all profit deductions to the republic budgets, and the share of these receipts in the budgets of the republics does not exceed 2 percent. An average of less than 50 percent of all income, with considerable variations by republics, goes for the permanently allocated receipts along with the dedicated receipts from the all-union budget (for the payment of pensions and price differences for livestock and milk turned over for nationwide allocations). Nationwide bodies balance income and expenses by differentiating the deductions from nationwide taxes and income (sales tax, income tax on the population). And only in cases where 100-percent deductions from nationwide taxes are insufficient to cover expenses do the republics receive subsidies from the all-union budget. Objective descriptions of the equivalence of financial ties among republics can obviously be obtained only after the conversion of the republics to their own intrinsic financial base.

Could the republics convert fully to self-financing in the near future when the net balance of interrepublic exchange (payments) for each of them will not be a negative one? Or otherwise: is an interrepublic economic equilibrium achievable under conditions of the expanding economic independence ("economic self-operation") of the republics? The conversion to full

financial balance is absolutely unrealistic for the republics with the retention of the prevailing wholesale prices, since it would have grave socio-economic consequences for many of them.

The prevailing wholesale prices were established without any reference whatsoever to the commodity relations among the republics (or regions), and are thus unacceptable for measuring the equivalence of relations among republics. The new wholesale prices that USSR Goskomtsen [State Committee on Prices] has proposed be instituted in 1990 are also not figured for regional economic accountability. The projected prices for fuel and power in particular deprive the eastern regions of the country of one of their principal economic advantages (the possibility of creating highly efficient energy-intensive types of production): a uniform price is being established for natural gas across the country regardless of the remoteness of the consumers, the price for the cheapest Kansk-Achinsk coal is higher than Moscow-region coals, and the rate scales for electric power in the Krasnoyarsk and Irkutsk power systems are roughly the same as for power-short regions of the European part of the country (11).

The principal concepts, impact and conditions for the implementation of interregional economic relations are the results of the theoretical and numerical analysis of the corresponding mathematical models. It is namely within the framework of econometric research, outwardly far removed from the practice of economic life, that the theoretical work has been created, the arrays of data accumulated and the experimental retrospective and forecast calculations performed. The articles on modeling interregional relations that have been published in EKONOMIKA I MATEMATICHESKIYE METODY since the first years of its existence have uncovered the principles of the social orientation of regional management, territorial economic equilibrium, the combination of the conditions of regional and national-economic development and the algorithmic support for the models (12-17).

Three types of interregional intersector models have been developed and are being used at the IE OPP to research interregional relations: 1) balance-sheet; 2) optimization ((4, 5); and 3) the economic interaction of regions (9, 10). They all reflect varying approaches to the selection of planning solutions and the management of economic subsystems and are supplemented by diverse models of regional systems.

Two directions in the development of these models can be singled out today: improvements in the regional, sector, transport and functional blocks of the overall model, and the development of new principles for synthesizing the regional and other blocks. The conversion from resource and technology models to more complex ones that include elements of the mechanisms of social and economic operation has the greatest significance in the first direction. There are thus balance-sheet and optimization interregional models in experimental use

that include the mutual ties of production, consumption and population income; interregional models that allow for such forms of reciprocal socio-economic ties as the effects of a rise in welfare on rises in production efficiency; a model with the interregional movements of labor resources and a regard for expenditures on the development of the non-productive sphere etc.

Various types of models and their dat, software and methodological support have now been united in the SIRENA modeling program system (7, 18).

3. Directions for Restructuring the Mechanism of Relations Among Regions

The conversion to economic methods of managing enterprises and regions "automatically" is also transforming many of the elements of the mechanism of interregional relations. The chief line is strengthening the ties between the economic (productive) and social results of activity at enterprises and on certain territories, along with increasing the role of paid interregional relations.

The specific problems of the interregional mechanism are associated with functioning at the juncture of the regions themselves, their and the overall USSR finance-and-credit and monetary systems, price formation and the systems of distribution of capital goods and items of consumption.

The transition to a new mechanism of regional development and interregional relations was begun in an extremely complex economic situation. Increasing shortages of products, a budget deficit and the unreliability of material and technical supply and trade support are having a ruinous effect on the intensiveness and structure of interregional ties. A disintegration of the nationwide market and a partial return to barter relations among enterprises and regions are occurring. Various measures are being undertaken in most of the latter to stabilize and protect the local consumer market (coupons for goods for local inhabitants, a ban on shipping products out, the introduction of customs duties and the like), and labor collectives are organizing the internal distribution of products and providing incentives for the creation of subsidiary farming and the dedicated output of goods for local needs. The USSR draft laws on republic economic accountability in the Baltics envisaged the institution of intrinsic republic currencies, and this question has not been conclusively removed.

The creation of a normal nationwide market is impossible without an overall stabilization of finances and monetary circulation, substantial reductions in unsatisfied effective demand for capital goods and consumer goods and services, the universal institution of regulating payments for labor and natural resources and for the protection of the environment and a review of draft reforms of wholesale prices with an eye toward creating acceptable conditions for the efficient specialization of regions and interregional ties.

The logic of the transitional period frequently forces the acceptance of local incentive solutions that are far removed from the principles of an ideal nationwide market. But no other way is possible. All regions, after all, cannot passively await the conclusion of the restructuring of general economic conditions and the creation of preconditions for a normal market. Ideas for improving the situation in some regions that do not have a negative effect on other regions are thus especially valuable today. The paramount conversion of individual republics and regions to economic accountability as of 1990 must be regarded from that point of view. The refinements of the idea of V.D. Belkin, P.A. Medvedev and I.V. Nit on the institution and gradual extension of "convertible" money by regions are also deserving of attention (19).

Elements of economic incentive for increasing the production of goods in the local areas are being introduced in recent years under the effects of growing shortages in the nationwide consumer market. The regions or republics are being permitted to direct output above and beyond the plan, or part of an increase in production, toward local needs. This procedure was first in effect in the distribution of agricultural output; it was then extended to industry-produced consumer goods (the use of 50 to 100 percent of the increase in production or production above the plan in the local area). This supplement to the local mechanism of economic operation gives an advantage to regions with higher levels and rates of increase in the production of consumer goods. It is no accident that those republics that hold leading positions in the production of consumer goods per capita have higher retail turnover as well (the first four places exactly are Estonia, Latvia, Lithuania and Belorussia). It is thus fundamentally important that the procedure for the free sale of output (above and beyond the plan, state order or the prior year's production level) in 1989, and moreover according to contract prices, be instituted as an exception for capital goods in a number of oblasts of Siberia³. The raw-material regions will thereby also get an opportunity for the expansion of their markets, direct product sale, an additional increase in incomes and their use for social and other needs.

The reform of taxation now underway is called upon to create incentives for accelerating and raising the efficiency of the economies of regions and promoting a more just distribution of income among them. The new rules should thus, in my opinion, not depend on the administrative subordination of enterprises. Recall that the draft legislation on the overall principles of management of the union republics envisage that the enterprises of all-union subordination pay 40 percent of all payments from profits to the republic budget, while republic enterprises will pay up to 90 percent.

This difference in taxation is provoking the republic and local soviets to fight for the administrative subordination of the enterprises located on their territory, and is putting regions or republics with different structures of production by sector affiliation in an unequal position.

The approximate share of industrial output, after all, will fluctuate greatly by republics in the implementation of the projected withdrawal of a number of sectors from all-union and union-republic subordination: 27 percent for the RSFSR, 50-71 for the Transcaucasus, 57-72 for the Baltics and 50-73 percent for Central Asia and Kazakhstan. I repeat that uniform taxation is essential; the search for the best forms of production organization will then shift from primarily administrative-command forms to the sphere of economic competition.

The practice of forming and distributing taxes based on sales also requires radical change. According to 1987 data, about 30 percent of the turnover tax is created in the spirits, wine and liquor industry, 15 percent in textiles and knitting, 17 percent in petroleum production and refining, chemicals and petrochemicals and 14 percent in machine building and metalworking. Since the greater portion of trade and sales organizations, as well as the producer enterprises, pay this tax according to the point of sale of the products, the total sales tax realized on the territory of the republic does not always coincide to the value that corresponds to the production of taxable goods there.

The destructive role of this tax is aggravated by the prevailing principle of the residual determination of the dimensions of sales-tax deductions to the republic budgets, controlling the total expenses of the budgets and the allocated income.

The establishment of a uniform share of deductions to the republic budget from the overall total taxes on the territory of the republic for all republics, firmly set for a long-term period, is being proposed to eliminate the negative consequences of the redistribution of national income via this tax. It would be advisable to convert to a share of deductions that is uniform by years but differentiated by republics as a temporary measure so as to avoid the destruction of the income and expense base of the budgets in the start-up year. The institution of a procedure for transferring part of the sales taxes for cotton and woolen fabrics, knit goods and items made from them, sheepskin and fur articles and wine products sold in other parts of the country to the budgets of the union republics where the raw materials are produced is being proposed for the more even distribution of sales taxes on individual goods among the union republics (representatives of the Central Asian republics are especially persistently in favor of this). A policy of abolishing the sales tax in its current form and instituting an excise tax on alcohol, tobacco, jewelry and some other items (motor vehicles), however, is more promising.

The focus of the restructuring of the mechanism of economic operation is being placed on distribution according to the end results at the enterprise and in the region along with a rise in labor activeness. But regional economic accountability cannot exclude redistributive relations. The redistribution of financial resources and the material resources corresponding to them in a union

federative state is essential to finance statewide ("extra-territorial") expenses such as, for example, defense; to finance regional programs of nationwide significance and regions with high investment activity; and, to reduce excessive or antagonistic social discrepancies and provide social guarantees for all members of society regardless of where they live and work.

A substantial portion of statewide expenses in the next few years will clearly be shifted to the republic level. Regional programs may be financed in the future via long-term investment credit from nationwide funds. A decisive role in redistributive relations is thus allotted to social factors in the future.

The provision of a guaranteed level of satisfaction of material and spiritual needs is oriented first of all toward large families, students and retirees. Whence it follows that the redistribution of income among republics or regions is first and foremost a consequence of the differing territorial concentrations of various social groups. The percentage of the population in the USSR with an income of less than 75 rubles per family member (the subsistence level), for example, is 15 percent, while in Central Asia it is about 50 percent, the RSFSR 29 percent and the Baltics, 1 percent. It is fundamentally important that redistribution not be accomplished mechanically—from "rich" to "poor"—but rather through dedicated programs that are financed out of nationwide or inter-republic allocations.

Excise taxes (a transformed sales tax) and differentiated rents for natural resources, i.e. income not associated with the efficiency of labor activity in the regions, could comprise the financial basis of the nationwide or inter-republic allocations. It would be expedient at the same time to convert from outright to repayable subsidies or subsidies to be repaid, including dedicated ones, for the republic or local budgets. The all-union budget, or even other republics that temporarily possess free financial resources, banks or individual enterprises and associations, could subsidize the budgets of some republic (with the payment of interest). The primarily repayable or paid nature of subsidies would stimulate the republics toward the intensive augmentation of intrinsic sources for financing development spending, reducing expenditures that are not very efficient and making better use of subsidies. More comprehensive regional and interregional models must be developed for the more profound analysis of the new financial and economic dependencies that arise.

Footnotes

1. Calculations performed by V.I. Suslov.
2. We note that several states of economic development exist, as a rule. The states of economic equilibrium belonging to the core are acceptable ones (from the point of view of national-economic efficiency and the combination of regional interests).

3. This demand was advanced by the strike committee of the Kuzbass in July of 1989.

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Lithuania Mulls Economic Dependency, Seeks Alternatives

904A0264A Vilnius SOVETSKAYA LITVA in Russian
6 Mar 90 pp 1,3

[Article by a Committee of the Supreme Soviet of the Lithuanian SSR for Preparing a Plan for Restoring the Independence of Lithuania: "Problems of Creating an Economy for Independent Lithuania"]

[Text] Today the chief aspiration and goal of the people is that of restoring the independence of the Lithuanian state. The Supreme Soviet of the Lithuanian SSR, in a decree dated 7 February of this year, proclaimed that the law on the adoption of Lithuania into the USSR is illegal, that it is not binding upon Lithuania and that negotiations must be started with the Soviet Union in connection with the revival of Lithuania's independence.

In order to establish new relationships, importance is attached to having a basically new concept regarding the functioning of Lithuania's economy, the structure and administration of the economy must be reorganized and realistic measures must be outlined for strengthening the economic independence of the republic and its mutually advantageous collaboration with other states.

Today's Lithuania does not have the economic structure characteristic of a sovereign and independent state. Up until now, our economy has been developing and functioning as a component element of the national economic complex of the USSR, with all of the attendant

consequences. First of all, we have an exclusive dependence upon the raw material base of the USSR. Lithuanian industry is unilaterally oriented towards the union market and it does not respond adequately to the requirements of the republic's economy and population or its natural conditions. All of the republic's requirements for natural gas, petroleum, all types of metal, cotton, tractors and motor vehicles are being satisfied by means of imports. This list could go on and on. During 1988 alone, roughly 7.5 billion rubles' worth of raw materials, other materials and various types of products were imported into the republic. This amounted to approximately 47 percent of all of the material resources consumed. Secondly, the volume of products exported was comparatively high: roughly one fourth of the social product created.

The most complicated problem—fuel and energy. Local resources (firewood and peat) account for only slightly less than 3 percent of the overall amount of fuel consumed, with 97 percent of the fuel being imported. In 1989, a total of 16.2 million tons of conventional fuel were consumed in the republic, with natural and liquefied gas accounting for 37 percent of the overall fuel expenditures, petroleum products—47 percent, and bituminous coal—9 percent.

According to today's prices, the cheapest fuel is gas. In 1989, 5 billion cubic meters of natural gas were used, and this year the plans call for 7 billion cubic meters to be consumed. In addition, as is well known, the cost of transporting gas over a gas pipeline is several times cheaper.

Natural gas is the principal raw material in the production of nitrogen fertilizer (25 percent of the overall quantity of such gas is consumed here). The remaining portion is used as fuel for boilers, TETs [heat and electric power plants] and electric power stations and also for the domestic needs of the population (mainly for food preparation). At the present time, more than 80 percent of the apartments in the republic have gas available for use.

Last year, with the main gas pipeline from Minsk to Vilnius being placed in operation, technical opportunities were created for increasing by more than twofold the republic's consumption of natural gas. The initial steps are already being taken this year—the supplying of gas for the Lithuanian GRES [state regional power plant] has already commenced. Thus the proportion of gas in the fuel balance will increase to 48 percent this year. In 1995, it may increase to 60 percent. In addition, gas is replacing mazut for the most part. This is making it possible to decrease atmospheric contamination substantially. However, complete dependence upon the gas extraction sources of the USSR exists at the present time.

According to available data, of the developed states of Europe, only Finland has a single-channel gas supply—from the USSR. In order to reduce their economic dependence, other developed states have from 2-3 channels (sources).

What alternate solutions do we have? We do not have any realistic opportunities for replacing natural gas with other types of fuel. The gas must obviously be obtained from other channels. Perhaps it is possible to obtain natural gas from the North Sea workings, that is, join the system of gas pipelines for West Germany, the Netherlands or Denmark. It goes without saying that this will be quite expensive.

In discussing alternative solutions, we must not overlook the fact that in the western part of the republic, near Klaypeda, a geological anomaly has been uncovered which is making it possible to utilize heat from the earth's depths. According to preliminary data, its capability is comparatively low—700,000 tons of conventional fuel. An urgent need exists for evaluating with a maximum degree of accuracy the amount from this source that is suitable for use as fuel, and also its technical potential and economic feasibility.

The second and equally important item with regard to the exclusive dependence upon the raw material base of the USSR—petroleum. Last year the Mazheykyay Petroleum Refining Plant processed almost 13 million tons of petroleum, which arrived via an oil pipeline. Of this amount, 7.1 million tons were used in the republic. Using its own products, Mazheykyay satisfies the requirements of other Baltic republics.

What are the alternatives for reducing the exclusive dependence upon petroleum raw materials? Some petroleum reserves have been uncovered in the republic. The extraction of our own petroleum may amount to 0.2 million tons annually. Thus the opportunities in this area are very limited today. It is expected that considerable supplies of petroleum will be uncovered on land and along the Baltic shelf. Petroleum can be imported through the port of Klaypeda. A petroleum base is in operation in Klaipeda which, in 1989, exported 8 million tons of mazut. Problems are being resolved at the present time in connection with its technical modernization and reconstruction, in the interest of converting it into an export-import base. It is believed that this represents one of the more realistic variants for obtaining a portion of our petroleum from other sources. It should be borne in mind that marine transporting of petroleum is more expensive by a factor of 1.8 times than shipments carried out by means of an oil pipeline.

Normal deliveries of natural gas and petroleum—this is the chief question and one of paramount importance, an acceptable answer for which must be found commencing with the very first days of existence of our independent Lithuania. It is the foundation for stable functioning by our entire economy and national economy as a whole and for a stable life for our people.

In discussing alternative gas and petroleum deliveries, we must evaluate the circumstance that our prices for them are several times lower compared to the prices on the world market. For example, we are presently paying 28 rubles for 1,000 cubic meters of natural gas and the

price on the world market—97 dollars; the price for a ton of petroleum is 30 rubles and 110 dollars respectively.

If we converted over to world market prices, then a deficit in excess of 700 million dollars would form as a result of petroleum products alone.

It bears mentioning that the world market prices for a majority of the types of imported raw materials and other materials are considerably higher than those prevailing in the USSR at the present time.

We have at our disposal today a comparatively powerful power engineering base, the foundation for which is the Ignalina Atomic Electric Power Plant and the Lithuanian GRES [state regional electric power Plant]. In 1989, 29.1 billion kilowatt hours of electric power were produced. Of this amount—16.6 billion kilowatt hours at the Ignalina AES [atomic electric power plant]. In all, 17.0 billion kilowatt hours were used throughout the republic. Thus, a definite reserve exists. The available power engineering capabilities, if we evaluate the factors concerned with realizing economies in the use of electric power, should be sufficient to last until the period 2000-2005. Hence, a need exists at the present time for solving the question concerned with the creation of new power engineering capabilities.

From the standpoint of the economic position occupied by an independent Lithuania and in the interest of having a stable power engineering complex, great importance is attached to the Kayshyadoris GAES [pumped storage electric power plant]. Thus its fate, capability and relationship to nature must be resolved in a very responsible and sound manner.

There is still one more item associated with direct dependence upon the raw material base of the USSR—this is apatite, required for the production of phosphate fertilizers. The Kedaynyay Chemical Plant consumes 0.54 million tons annually. This raw material is delivered by rail from the Kola Peninsula. The alternative—apatite delivered by maritime transport from other countries. However, this would require an expansion in the port of Klaipeda. On the whole, this port will in the future be of considerable importance for the functioning of an economically independent Lithuania, and thus its future prospects and efficient utilization should be analyzed completely at the present time.

In evaluating the availability of raw materials and other materials for both the present and the future, it must be understood that the republic's economy developed as a constituent and integrated part of the national economic complex of the USSR. Thus the search today for alternative solutions is a difficult problem, and yet such solutions are needed.

With regard to the raw materials and other materials being imported from various regions of the USSR, comparatively acceptable decisions are possible to a considerable degree based mainly upon equivalent

exchange. It is our belief that the creation and functioning of joint enterprises offer fine prospects for the future in this area. For example, this applies to ensuring the availability of cotton—through the organization of a joint enterprise of the Alitus Cotton Combine with Uzbek plants for the primary processing of cotton. Joint enterprises would also be capable of solving problems concerned with ensuring the availability of timber (today we are importing 35 percent of the entire amount of timber being consumed).

The agro-industrial complex, which furnishes more than one half (52 percent) of our national income, occupies a special place in our republic's economy. At the present time, we are producing the principal products of agricultural specialization—meat and milk—and in considerably greater amounts than we are consuming. In 1989, roughly 60 percent of the meat and dairy output was consumed in the republic. In order to satisfy fully the needs of the republic's residents, the portion of the mentioned products consumed on site must be somewhat greater. On the other hand, agricultural production does not have adequate supplies of internally produced concentrated feed. In 1989, of almost 3.6 million tons of concentrated feed expended, imported feed amounted to 1.3 million tons, or 37 percent. Approximately 400,000 tons of grain had to be imported for food purposes.

Last year we produced 242,000 tons of sugar, including 79,000 tons, or 33 percent, from our own sugar beets. The remaining amount of sugar is being produced from sugar cane raw materials imported from Cuba. However, we are consuming 188,000 tons of sugar, that is, more by a factor of 2.4 than the amount being produced using local raw materials.

What are the alternatives here? After rejecting imported concentrated feed, an attempt should be made first of all to reduce meat production in the republic by 100,000-120,000 tons (in dressed weight). Thus the structure of the plantings and also livestock husbandry specialization should be examined and progressive technologies for the raising of livestock should be introduced after first reducing considerably the specific expenditures for feed. For all practical purposes, no opportunities are foreseen today for proceeding in the absence of imported sugar cane.

One urgent problem is that of selling agricultural products on the foreign market. The cost for the production of such products is higher by a factor of 2-3 than similar costs in western countries. Hence, a need exists for sharply raising the efficiency of agricultural production.

In addition, the prospects for cultivating and processing flax must be examined anew, while taking into account the fact that there is a tremendous demand for linen products on the world market and that considerable experience has been accumulated in the republic in the growing and processing of this crop.

Other problems will also arise in connection with the formation of the economy for an independent Lithuania.

Solutions must be sought and found for them. A great amount of effort is needed in order to eliminate dependence upon the center for rail, maritime and aviation systems, communications systems and others. In order for them to be able to function in a normal manner under the new conditions, the appropriate departments of the republic must display concern for this matter at the present time.

An attempt was undertaken here to describe the principal and, if you please, the most difficult and urgent problems. At the same time, in addition to evaluating our independence, we must also bear in mind that there are a number of enterprises in Lithuania which are engaged exclusively in satisfying the needs of the USSR. For example, the Vilnius Plant for Electric Metering Equipment is the only enterprise in the country engaged in the production of domestic electric meters. Seventy five percent of the country's gross production of deflecting systems for television sets is concentrated at the Vilnius Plant for Radio Components. The Pan-evezhis Plant for Auto-Compressors supplies 70 percent of all motor vehicles produced in the USSR with pneumatic braking systems. One type of product produced by the Kaunas Television Plant—channel selectors—is used in more than 60 percent of the television sets being produced in the country. More than 30 percent of the entire production volume of fuel equipment for USSR tractors is concentrated at the Vilnius Plant for Fuel Equipment. On the whole however, our republic's production constitutes 1.5 percent of the gross production of the USSR. Thus the national economy of the USSR can be restructured rather easily in order to be entirely free of dependence upon us. USSR Gosplan is already solving the problem—how to avoid such dependence.

The geography of the economic relationships must also be taken into account. At the present time, approximately 52 percent of all import and export transactions is with Russia, 8 percent with neighboring Belorussia and 6.5 percent—with Latvia and Estonia. Since some of the economic relationships were formed under the conditions of centralized branch administration and planning, extensive opportunities are available for streamlining them. First of all, a need will exist for developing and improving economic relationships with the Baltic republics and for defining more specifically in an organized manner the work already begun.

The creation of an economy for the independent Lithuanian state under natural conditions, while taking into account the need for ensuring stable functioning of the republic's economy and normal living conditions for the people, must be a process which requires consolidation of all of the political forces and very tense and purposeful work by each individual. The restoration of statehood must take place while taking into account the true economic situation and thorough integration of our economy in the national economic complex of the USSR. The political decisions must also be weighed against the economic consequences. Therefore, in addition to the timely and thorough implementation of a

USSR law governing economic independence for the three Baltic republics, a need exists for preparing a draft agreement on economic and scientific-technical relationships with the USSR and for commencing appropriate negotiations.

Ideally, use should be made of the experience accumulated in Finland. For example, immediately following the war (in 1946), a trade agreement was signed between Finland and the USSR, and in 1948—an agreement calling for extensive collaboration—in 1983 it was extended a third time for a period of 20 years. In foreign trade, for the purpose of mutual accounting between the two states, successful use was made of a so-called clearing system, that is, finally accounting at the end of a year's time.

The draft agreement should call for the maintenance of existing economic relationships, particularly in the fuel and power engineering branch, with a continuance of the modern accounting prices for a period of several years, or at least a gradual conversion over to world market prices and with use being made of the clearing system in mutual accounting. Similar agreements must be concluded with the other republics of the USSR.

The chief strategy of the foreign economic relations of Lithuania must consist of the following:

- further importing of the principal raw materials and fuel from the USSR;
- the adoption of progressive equipment and technologies, particularly through the creation of joint enterprises with western countries;
- mainly exports towards the East and as the production level improves, a gradual development of the western market. Moreover, Lithuania is important to western firms as a springboard to the eastern market. Full use must be made of this circumstance.

Thus work must be carried out immediately aimed at developing the concept of foreign economic relations and the specific program for increasing our export potential by several times or even by several dozen times. We must obviously orient ourselves towards exporting the products of agriculture, scientific-intensive electronics and radio engineering, metal cutting machines, light industry products and other items produced by us. For coordinating foreign economic relations and developing and implementing state policy in this area, we will need appropriate organizational structures. An active state policy will be needed for increasing the export potential of our economy.

In evaluating the possibility of integrating the republic into the European economic community, we must take into account the fact that at the present time our costs for both industrial and agricultural output are several times higher and labor productivity is considerably lower than the figures for developed European states.

The principal path to be followed for raising our export potential is the creation of joint enterprises and their efficient operation, the stimulation of investments of foreign capital in the republic's national economy, the efficient use of foreign credits in the interest of raising the level of production equipment and technology as rapidly as possible, the development of foreign tourism, and the formation of special economic zones or use of the economic mechanism in such zones throughout the entire territory of the republic.

Of equal importance is the efficient and thrifty use of all resources, particularly fuel and power engineering resources. This must become a firm priority and a most important principle of the economic policy of independent Lithuania and it must be served by the economic mechanism, the state structural and scientific-technical policy and the orientation of society. Substantial and basic changes are needed in this area if we are to realize any forward progress.

Compared to Sweden or Finland, Lithuania presently requires 1.5-2 times more fuel, power, wood and metal for the production of a unit of national product. Compared to Finland where an average of 20 kilograms of conventional fuel is consumed for heating one square meter of dwelling space, in Lithuania—60.

Great importance is also being attached to a scientifically sound ecological policy, one which is based primarily upon the introduction of waste-free technologies.

Obviously, we will be unable to achieve success if we fail to create a demopolized economy and normal economic relations for an effective economic mechanism, in combination with the market mechanism and sound state regulation. These are new attitudes towards ownership and reorganization of the price formation, taxation and financial-banking systems, emissions of our own money and customs duty policy. Groups of laws on functioning of the economy and other normative documents are being prepared in the Council of Ministers of the Lithuanian SSR. Some of them have already been adopted by the republic's Supreme Soviet. Here there is a large amount of work remaining to be carried out in the near future.

However, a proper evaluation has still not been provided for the foreign relations and economic functioning of Lithuania as an independent state and the means and methods for stabilizing and reorganizing them.

The formation of an economy for independent Lithuania inevitably requires considerable structural changes, more efficient use and a redistribution of the labor force and the creation of realistic social guarantees for all people with regard to avoiding large-scale unemployment. Thus importance is attached to developing a state program for structuring the economy and a mechanism for carrying it out.

Importance is also attached to depoliticizing the economy completely. Thus the foundation will be established for an objective evaluation of the aspirations and potential and for combining political and economic actions.

A need will also exist for evaluating the economic and other losses sustained by Lithuania during the period from 1940 to 1990, as a result of loss of its independence.

The functioning of the economy of an independent Lithuania will be largely dependent upon the structure of its foreign relations. The plan for priority actions associated with the development of these relations and the implementation of this plan—this is the chief practical task of the republic's government and all of the economic and other structures.

It is the hope of the committee that society, scientists and practical workers, once they have acquainted themselves with the published materials, will offer their own recommendations and comments and in this way assist the work of the committee.

Prunskiene On Lithuanian Property Law, Constitutional Changes

904A0233A Vilnius SOVETSKAYA LITVA in Russian
14 Feb 90 p 7

[Article by Kazimiera Prunskiene, people's deputy of the USSR and deputy chairman of the Lithuanian SSR Council of Ministers: "The Draft Law of the Lithuanian SSR On the Principles of Ownership and Related Changes and Supplements to the Constitution of the Lithuanian SSR"]

[Text] Report by USSR people's deputy and deputy chairman of the Lithuanian Council of Ministers Kazimiera Prunskiene.

The law on the principles of ownership is under discussion. You may recall that its first reading took place last year. An editorial board committee for further improving the law was formed for the purpose of presenting it for final discussion, that is, for the present session of the Supreme Soviet. A working group charged with preparing the law continued its work during this period and in the process it received a great amount of assistance from lawyers and the editorial board committee formed by the Supreme Soviet. The Presidium of the Supreme Soviet, having acquainted itself with the drafts as presented, recommended them for discussion and, hopefully, for adoption.

In order for the economy to be viable, a minimum of four things is needed: an attitude of ownership that guarantees the right of an owner to have property, its zealous use and multiplication, a need exists for a market and competition and also for a firm currency. This is borne out by international experience. Alas, we lack every one of these factors.

Property is the foundation for an economic system. Monopolistic state ownership was legalized in the economic model imposed upon Lithuania. Its pseudo-democratic interpretation as national ownership did not change the anonymous essence and it did not create owners interested in multiplying the wealth. The ignoring of private ownership on the one hand and the absolutization of state ownership on the other have made the economy of the Soviet Union, including that of Lithuania, into that which we are inheriting, while proceeding with the independent management of the economy. No planning indicators nor economic incentive systems compensated for the consequences realized from negating private initiative, the property market and competition. It is difficult to overcome prejudices which developed over a period of many years, to reject the aims of declared equality or to recognize by means of the business activities of private individuals and their groups the possibility of forming definite property distinctions which, alas, are inevitable, since only by this means is it possible to avoid the signs of almost universal poverty.

The question under discussion touches upon the more important constitutional principles of the economic system. During the course of preparing the law governing the principles of ownership, it turned out that laws governing the principles of ownership alone are inadequate, since with their adoption a contradiction of the constitution becomes readily apparent. Thus, it should be recognized that Chapter 2—the economic system—of the existing constitution has lost its validity and that new articles should be written in place of the existing articles 10, 11 and 12.

Article 10 states that the foundation for the economic system of the Lithuanian SSR is the property of the Lithuanian SSR, which includes the private property of citizens, the property of citizens who have banded together into groups (collectives) and state property. Deserving of attention is the fact that state property—is the common property of citizens of the Lithuanian state and not the property of the state apparatus. If no distinction is made between them, then disputes may arise over regulating the attitudes towards state ownership, the denationalization of state property and others. The right of ownership by citizens of their property and the opportunity for controlling, using and disposing of it in the manner prescribed by law are guaranteed in Lithuania. All forms of ownership are legalized and proper protection of property is ensured. In addition to equality in private and group and also state ownership, the right of owners to hire other persons is recognized. Exploitation arises not as a result of the forms of ownership, as believed earlier. Indeed, we did not have private ownership. But can our people take pleasure in non-exploitational hiring in the state sector? The democratization of relationships between owners and hired persons and combining their interests predetermine the Law on Labor, other laws governing the social sphere and also hiring agreements.

Article 11 was formed by means of an improvement implemented by the Editorial Board on 18 May of last year. You may recall that we introduced these changes by accepting the Law on Economic Independence. The article emphasizes the exclusive ownership by Lithuania of the land, its mineral wealth and other natural resources, while distinguishing it from national ownership. This exclusive right can be utilized not only by the state but also by subjects of all types of ownership in the republic. However, the earth's riches can belong only to the Lithuanian state. This is how the matter is viewed in a majority of other states.

Article 12 sets forth the possibility of denationalization of state property and turning it over to ownership by citizens and their groups on an award basis or free of charge. Its value in our situation is great. I believe that there is no point to discussing this in greater detail. Just as in other states, our constitution must include a legalized opportunity in exceptional cases, when required by common interests within the republic, to award nationalized property on the basis of a special law, with the question being resolved only in the Supreme Soviet. The danger of once again experiencing general collectivization must not be perceived in this article of the Lithuanian constitution. I do not believe that it is necessary to explain where the source of this danger lies. Thus, the most general and most important legal conditions for ownership, given our specific conditions, conditions which are detailed extensively in the law on the principles of ownership, are formulated in three articles of the constitution.

I wish to direct attention to the fact that an empty space still remains in the place of other articles of the economic system that existed here earlier. Unfortunately, today we are unable to complete the necessary articles on administrative structure and the state system of regulation, since the work concerned with preparing these laws has not yet been completed. In order to avoid corrections or changes to these chapters in the future, it is believed that it would be best at the present time to leave these articles unformulated, after first terminating the action of the older articles. It is agreed that the existence simultaneously of new and old articles would be a complete misunderstanding.

Once again I would like to say a few words regarding the law on the principles of ownership. The forms of ownership are described considerably more specifically in it and emphasis is placed upon the state policy of supporting those forms of ownership which would ensure the most efficient use of resources. A simple declaration that all forms of ownership are equal sounds very formal today and actually does not guarantee true equality for all forms of ownership. Private ownership and to a considerable degree group ownership by private individuals have been destroyed and in order to "revive" them and make them competitive and truly equal, the state must implement an appropriate economic policy. The rights of various owners by types of ownership and the possible objects of their ownership are formulated in this

law, the objects of state, collective or group and private ownership are singled out in particular and the rights for controlling, using and disposing of these objects are set forth. In order for this law to be truly placed in operation, an appropriate mechanism is needed, the development of which will be completed when the new Supreme Soviet forms the government, the mission of which will be the implementation of this law. Thus today there is no need for finding in this law the specific details needed for carrying out a particular point. Rather, this should be the function of the post-legislative documents.

This law was prepared at the level of state law. It obviously lacks the totality of the statutes on civil law. It will be developed in the future. Thus this law is opening up the door to Lithuania's new economic system. It will facilitate considerably the preparation of other laws. We are already convinced regarding the close link that exists between all of the laws that have been prepared.

In conclusion, I wish to invite you to a discussion and to thank those many people who helped prepare this law. I also wish to apologize to those who experienced disappointment when preparing alternative variants and also when attempting to develop something in common with documents adopted in the USSR Supreme Soviet. The Editorial Board Committee of the Supreme Soviet of the Lithuanian SSR believes that the essence of these documents is optimum at the present time.

Prunskiene On Prospects For Independent Lithuanian Economy

904A0268A Vilnius SOVETSKAYA LITVA in Russian
13 Mar 90 p 1, 3

[Interview with Kazimiera-Danute Prunskiene, acting prime minister of the 1st government and professor, by ELTA correspondent Virginia Benyatiene; date and place not specified: "What Will the Economy of Independent Lithuania Be Like?"]

[Text] Lithuania has been proclaimed an independent state. Professor Kazimiera-Danute Prunskiene has been appointed acting prime minister of the first government. What new steps will be taken by the new government—this was the subject of an interview which ELTA correspondent Virginia Benyatiene held with K. Prunskiene.

[Benyatiene] The decision of Lithuania to convert over to market relationships is associated with such questions as privatization, social fairness, unemployment and many others. Which of these do you consider to be the principal one that we must address?

[Prunskiene] First of all—we must avoid unemployment. This is associated with continued operations by our large-scale industrial enterprises and with guaranteed deliveries of raw materials. Particular importance is being attached to the negotiations between the Lithuanian Government and the Soviet Union and to how both sides will solve the problem of collaboration. Obviously there will be a need for changing the profile of some

enterprises and for carrying out the retraining of workers. Relationships with other states are expanding rapidly and thus some of the people will work at joint enterprises created with foreign partners.

For six months and perhaps a year, the situation will be rather grave. Only by solving these problems in a joint manner, will we be able to reduce unemployment to a minimum. A labor market is being formed and it will make it possible, not by administrative but rather by natural methods, to distribute labor resources throughout the economic system.

Privatization has already been legalized in the initial laws regulating economic policy. In February, the article in the Lithuanian Constitution on the economic system was changed and a law was adopted on the principles of ownership for the Lithuanian Republic. And at the present time, work is proceeding in connection with the preparation of many laws and legal documents which will regulate the system for the sale of state property and the nature of relationships between the private sector and other elements of the economy. The plans call for the conversion of a large portion of today's state sector into collective and private sectors. The state will manage transport, communications and also industrial enterprises which are of strategic importance. Privatization will proceed together with the introduction of our own currency—thus we will be able to strengthen the exchange rate for the future money of Lithuania—the litas.

We must definitely establish exactly what is meant by social justice. The chief concern—to ensure a minimum standard of living and to create equal opportunities for the display of initiative. By no means should social justice be identified with wage-levelling or the acquisition of consumer goods or wages. Up until now, there has been no mention of social justice: supposedly a small difference in earnings existed between ordinary workers and individuals who occupied high positions. And nevertheless there were unequal opportunities for the use of so-called public consumption funds and for acquiring goods for wages obtained, many illegal forms of income and a special system for public catering in some institutions. This aroused the indignation of society. For having performed good work, an individual must receive good wages and be able to purchase that which he needs.

[Benyatiene] Based upon what principles will the new cabinet of ministers be formed? How do you intend to change the old administrative structure?

[Prunskiene] First of all, we will take into account the competence and professionalism of the individuals involved. Another principle—the desire to help Lithuania and faith in the economic reform and in conscientious labor. We will invite to work those individuals who have won recognition by Lithuanian residents and who earned respect abroad. Indeed the new cabinet of ministers must represent Lithuania both in the Soviet Union and in other countries.

The administrative reform is conditioned by the changing economic policies. We still do not have a final variant and yet it is my belief that an important role will be played by the Ministry of Economics. It must be formed based upon the former Gosplan. This ministry will be tasked with the formation of economic policy and reorganization of the economic structure. The Ministry of Finance will acquire considerably more importance, since in the new managerial structure the state will no longer exert as strong an influence on the activities of enterprises as it has in the past. Considerable importance will also be attached to the financial and economic levers. Bank activities will be further strengthened. According to law, the Lithuanian Bank has already been created and at the present time it is being created de-facto.

There will not be as many branch industrial ministries. I believe that such ministries and a number of committees will be replaced by one industrial power engineering ministry. The Ministry of Agriculture will regulate the production of agricultural products and the food industry. The ministries of education, culture, transport, communications, justice, internal affairs, protection of the country and others will ensure the state's administrative integrity. This will be in keeping with the temporary constitution of the Lithuanian Republic.

[Benyatiene] Many specialists worked in the former government and in the ministries and departments. What will be their subsequent fate?

[Prunskiene] Competent specialists desiring to work in a conscientious manner will find a place in the new administrative system. Some of them will obviously have to undergo retraining and to find new work assignments. Such opportunities will appear in various spheres of the economy and particularly in the area of foreign relations. We also need specialists who will be able to maintain contacts with the republics of the Soviet Union.

[Benyatiene] At the present time, contacts with departments and enterprises of the USSR are considered to be of special importance for the Lithuanian economy. What will be the new economic policy of the new cabinet of ministers with regard to Moscow? If an economic blockade nevertheless occurs, what will have to be done first of all?

[Prunskiene] We do not intend, acting upon our own initiative, to sever contacts with the USSR, inasmuch as they are of value both to us and to the USSR. But they must be of another quality—they must be realized not only through the various ministries and departments but also at the governmental level: Lithuanian Republic—USSR and other republics of the USSR and enterprises must collaborate with enterprises.

We are striving to maintain stable relationships. Complications may obviously arise in our relationships with the USSR state apparatus and enterprises, which may be ill-disposed towards us. We must therefore commence negotiations with them as rapidly as possible and finally

clear up these relationships. During the course of negotiations, we must reach agreement on the fact that some enterprises, which are of importance to both ourselves and the USSR, should become joint Lithuanian-Soviet enterprises. One of the pretenders for the status of such an enterprise is the Mazheykyay Oil Refining Plant.

And the probability of an economic blockade is dependent upon the arrangement of forces in Moscow proper. The present USSR Government is generally controlling the situation with difficulty and the funds being distributed and the delivery limits are still not of themselves guaranteeing that the customers will receive the true materials, raw materials or products. In all probability, we will receive everything that we need when we turn to the supplier and offer him our own products: food products, construction materials, furniture, products of the light industry and others. In essence, this will amount to barter.

We are already experiencing certain signs of an economic blockade at the present time—this is borne out by the new system of USSR accounts with our republic, through correspondent accounts in the central banks of the USSR. USSR accounts are being maintained with other states in this same manner. Although this is unprofitable for us from an economic standpoint, the mentioned step can be evaluated as a definite indication of our status. Thus we cannot protest, but Moscow must not resolve such relationships on a unilateral basis. Indeed, the two interested parties must participate in this.

The government of the USSR wants Lithuania to settle accounts with the USSR in currency. For fuel we would pay at a rate that would be 2-3 times more expensive. But accordingly there would be an increase in the currency prices for the petroleum and gas products produced by us, goods which we supply to the USSR. In accordance with the rate of exchange, prices must also be established for our electronics products, computer equipment, light industry goods, drills, construction materials, furniture, food goods and others. I do not believe that it would be profitable for the Soviet Union to purchase these products for currency abroad. Both sides must reach a mutually advantageous agreement.

The branch structure of Lithuanian industry must be examined. We process a large portion of the resources imported not for our own purposes. If we could reach an agreement with the USSR, perhaps it would be possible to have some of these enterprises produce the products needed by this country. Otherwise, industry would have to be partially reorganized and partners sought in other states. This makes sense in any case, although there will certainly be difficulties.

[Benyatiene] Joint enterprises are being created in Lithuania and agreements are being signed calling for collaboration with foreign firms. There is such a place in

our Lithuanian economy for foreign capital. What are your thoughts regarding free economic zones, for example in Klaipeda?

[Prunskiene] Up until now, the balance in the currency turnover of Lithuania has been negative. We will not obtain currency from the USSR for the modernization of Lithuanian enterprises. Foreign capital and investments by other states will aid us in overcoming this deficiency. We have many such proposals and we can establish contacts in each branch of industry. Our economic policy must be open and encourage injections of foreign capital. Thus it makes no sense to create individual economic zones in such a small state. The state will obviously have to regulate these relationships with the aid of economic levers.

[Benyatiene] The governments of east European states have condemned all privileges for governmental representatives. What is your attitude in this regard?

[Prunskiene] Beyond any doubt, some privileges will necessarily be abolished in accordance with the rank of the organizations and yet this work must be carried out with a great amount of caution. I believe that in the future high officials will be able to use official vehicles, freely obtain tickets for transport and realize other privileges, provided they are carrying out state business at the time. All opportunities for acquiring consumer goods will be regulated with the aid of wages: such wages will be dependent upon the work performed and the results realized, evaluated on the basis of their useful effect. There will be no special distributions.

[Benyatiene] The boom in purchases has reached its highest point in the republic. The people are alarmed by the uncertainty attached to the introduction of new money and the price policies.

[Prunskiene] In the absence of one's own money, it is impossible to proceed in an independent state. Moreover, such money makes it possible to protect our people against imported goods, to regulate inflation and to privatize the economy. All of these means for implementing the reform must be carried out simultaneously and in a parallel manner. This will make it possible to raise the purchasing power and stability of our money.

Lengthy discussions were held on the subject of prices. It is still too early to fully introduce free market prices, since this would bring about a reduction in the standard of living. The state will obviously regulate prices in a moderate manner to the extent that opportunities will appear for balancing the requirements of the producers and consumers. We will do this at industrial and trade enterprises involving all forms of ownership.

[Benyatiene] Thank you for this discussion. I wish you great success in this post that is of such importance to Lithuania.

Lithuanian Law on Local Self-Management Published

Lithuanian Supreme Soviet Decree

904A0252A Vilnius SOVETSKAYA LITVA in Russian
2 Mar 90 p 1

[Decree of the LiSSR Supreme Soviet adopted in Vilnius, 12 February 1990, and signed by A. Brazauskas, chairman of the Presidium of the LiSSR Supreme Soviet, and L. Sabutis, secretary of the Presidium of the LiSSR Supreme Soviet: "Decree of the LiSSR Supreme Soviet Promulgating the LiSSR Law on the Foundations of Local Self-Management"]

[Text] The Supreme Soviet of the Lithuanian Socialist Republic decrees as follows:

1. That the LiSSR Law on the Foundations of Local Self-Management will take effect 24 March 1990, and its implementation will commence after election of deputies of local Soviets of People's Deputies.
2. The Presidium of the LiSSR Supreme Soviet is hereby ordered to establish by 15 March of this year the procedure in which the LiSSR Law on the Foundations of Local Self-Management is to take effect.
3. The LiSSR Council of Ministers is hereby required to draft and submit to the Presidium of the LiSSR Supreme Soviet by 24 February of this year proposals on the procedure and schedule for applying the provisions of the LiSSR Law on the Foundations of Local Self-Management with respect to the economic foundations of self-management and also concerning urgent measures to restructure the administrative bodies and agencies of local Soviets.

Text of Law

904A0252B Vilnius SOVETSKAYA LITVA in Russian
2 Mar 90 pp 1, 3

[Law adopted in Vilnius on 12 February 1990 and signed by A. Brazauskas, chairman of the Presidium of the LiSSR Supreme Soviet, and L. Sabutis, secretary of the Presidium of the LiSSR Supreme Soviet: "Law on the Foundations of Local Self-Management"]

[Text]

Section I. General Provisions

Article 1. The Concept of Local Self-Management and Legal Regulation of Self-Management

1. Local self-management is the independent activity of handling their affairs and executing the decisions taken which is performed by the population of administrative-territorial units of the republic and also by their own subordinate bodies of local self-management within the limits established by legislation of Lithuanian SSR.

2. Self-management embraces the totality of inhabitants and the bodies they create to govern and manage the administrative-territorial unit.

3. Local self-management is regulated in the republic by the LiSSR Constitution, by this Law, and also by laws of Lithuanian SSR on apilink, settlement (volost), rayon (uyezd), and city self-management, and by other laws of Lithuanian SSR.

Article 2. Principles of Local Self-Management

The principles of local self-management are as follows:

1) direct participation of citizens of Lithuanian SSR in the preparation, discussion, adoption, and execution of decisions on those aspects of the life of society important to them;

2) supremacy of representative bodies of government over other bodies of self-management;

3) accountability of bodies of self-management and their officials to the population and oversight exercised by the population;

4) economic independence;

5) glasnost and reaction to public opinion;

6) social justice;

7) lawfulness and its guarantees;

8) the priority given to contractual relations in the activity of the bodies of self-management.

Article 3. The Regional Basis of Local Self-Management

1. Administrative-territorial units of Lithuanian SSR, which are established and altered by the LiSSR Supreme Soviet, constitute the basis for the organization of local self-management.

2. Two levels of self-management—lower and upper—are being established.

Apilinks, settlements (volosts), and also rayon (uyezd) cities belong to the lower level of self-management.

Rayons (uyezds) and republic cities belong to the upper level of self-management.

3. By permission of the Presidium of the Supreme Soviet of Lithuanian SSR and with respect for the interests and wishes of the population, Soviets of People's Deputies of respective self-managing units (hereinafter "Self-Management Soviets or Soviets") may divide their territory into smaller units and organize their administration.

Article 4. The Mechanism for Implementing Local Self-Management

1. Local self-management is implemented in the forms of direct and representative democracy.

2. The most important forms of direct democracy used in implementing local self-management are civil initiative, participation of the population in discussion and deliberation of issues important to it, election of representative bodies, participation in executing the decisions taken, and the possibility of monitoring the activity of the bodies of self-management.

3. Self-Management Soviets elected in accordance with the Law on Election of Deputies of Local Soviets of People's Deputies of Lithuanian SSR constitute the basis of the representative democracy of local self-management.

The Self-Management Soviets create bodies of management subordinate and accountable to them, supervise them, and oversee their activity.

Section II. Government Bodies of Local Self-Management Units

Article 5. The Soviet of People's Deputies

1. The Soviet of People's Deputies is the representative body of government of the local self-management unit. In its jurisdiction, the Soviet unifies and coordinates the activity of the other self-management bodies, supervises construction of the state, the economy, and the areas of social welfare and culture, pays attention to optimum use of natural resources and protection of the environment, ensures enforcement of legislation and execution of decisions of the government, the social order, and also protection of the rights and legitimate interests of the citizens.

2. The self-management unit has the rights of a juridical person.

Article 6. The Session of the Soviet

1. The basic form of the Soviet's conduct of business is the session.

2. The first session of a newly elected Soviet is convened by the respective election commission no later than 2 weeks following the elections if at least three-fourths of the deputies of the Soviet have been elected. The session is opened by the chairman of the election commission, who chairs it until election of the chairman of the Soviet.

Subsequent sessions of the Soviet are convened by the chairman (presidium) of the Soviet on their own initiative or upon the recommendation of a body for management of the self-management unit or by request of at least a third of the deputies of the Soviet.

3. The session of the Soviet may conduct business if at least two-thirds of the total number of deputies of the Soviet take part in it.

The decisions of the Soviet are made by majority vote of the total number of deputies of the Soviet except in cases when law or the rules of the Soviet provide otherwise.

Article 7. The Soviet's Exclusive Jurisdiction

The Soviet is entitled to debate and decide any matters placed in its competence by legislation of Lithuanian SSR. The following matters are debated and decided only in sessions:

- 1) recognition of the authority of deputies and termination of that authority before the end of their term in the cases established by legislation;
- 2) election and dismissal of the chairman of the Soviet and his deputy;
- 3) formation of standing and other commissions of the Soviet, deputy groups, and other bodies of the Soviet and changes in their composition;
- 4) formation of the auditing commission and changing its composition;
- 5) formation of bodies of management accountable to the Soviet and adoption of regulations concerning them;
- 6) discussion of reports of bodies formed by the Soviet;
- 7) consideration of requests of deputies and decision-making concerning them;
- 8) adoption of the rules of the Soviet;
- 9) definition of the main directions of the economic and social development of the self-management unit and evaluation of the results of their activity;
- 10) adoption of the budget and the report on its fulfillment; distribution of additional resources and also adoption of advance estimates and reports on use of off-budget resources;
- 11) establishment of the legal regime governing facilities which are the property of the self-management unit and decisions on matters related to monitoring their use and other property matters;
- 12) revoking permits for economic activity or halting the operation of enterprises, institutions, and organizations in cases when they violate legislation on environmental protection, land use, and the use of local natural resources, on sanitation and health, and on the safe use of labor resources;
- 13) the establishment of benefits for physical and juridical persons with respect to the collection of taxes, duties, and deductions into the respective budgets;
- 14) fixing the size of local levies and announcement of local voluntary loans;
- 15) establishment of the symbols of the self-management unit;

16) approval of contracts (agreements) duly concluded by the bodies of management of the self-management unit with other self-management units, with juridical and physical persons, with foreign firms, and also with foreign bodies of local government and administration;

17) submittal and examination of proposals concerning the administrative-territorial division in accordance with the procedure established by legislation;

18) other matters envisaged by legislation of Lithuanian SSR and also matters which the Soviet places in its exclusive jurisdiction within the limits of the powers of the self-management unit.

Article 8. Chairman of the Soviet

1. The proceedings of the Soviet are organized by the chairman of the Soviet or his deputy, and in an upper-level self-management unit—by the presidium of the Soviet.

2. The chairman of the Soviet and his deputy are elected in a session of the Soviet by secret ballot for the term of the Soviet, but not to more than two terms in succession.

The chairman of the Soviet:

- 1) represents the Soviet in relations with government bodies, public organizations, and other collectives and citizens;
- 2) organizes preparation of the session of the Soviet and the business which it is to deliberate, and he also follows up on execution of decisions of the Soviet;
- 3) informs the deputies and the public concerning the place and time of the session and concerning the business which it is to deliberate;
- 4) coordinates the work of standing and other commissions formed by the Soviet and also deputy groups;
- 5) signs the minutes of the session of the Soviet and the Soviet's decisions and makes them known to the public;
- 6) carries out other orders of the Soviet and also exercises the powers established by law.

The chairman of the Soviet chairs the meetings of sessions of the Soviet.

The chairman is accountable in his activity to the Soviet. Should the chairman of the Soviet be incapacitated or absent, his duties are performed by the deputy chairman of the Soviet.

The chairman of the Soviet issues orders on matters within his competence. The Soviet may rescind the orders of the chairman of the Soviet.

The chairman of the Soviet and his deputy may be relieved of their offices before the end of their term by decision of the Soviet.

The issue of dismissal of the chairman of the Soviet or his deputy is taken up in a session of the Soviet at their own request or upon demand of at least one-third of the deputies of the Soviet.

Decisions of the Soviet on removal of the chairman of the Soviet or his deputy are made by secret ballot.

Decisions of the Soviet on election of the chairman of the Soviet or his deputy and also on their removal are signed by the deputy chairing the session of the Soviet (in the first session of a newly elected Soviet during election of the chairman of the Soviet—by the chairman of the election commission).

Article 9. The Soviet's Commissions and Deputy Groups

1. The Soviet's commissions and deputy groups are created for preliminary examination and preparation of items of business and also to provide assistance in carrying out decisions of the Soviet, to monitor the enforcement of legislation and execution of decisions of the Soviet by enterprises, institutions, and organizations located within the jurisdiction of the self-management unit. The Soviet may form standing and other commissions, deputy groups, or other bodies.

2. The competence of these bodies is established by the Soviet within the limits of the powers of the Soviet itself. They are responsible to the Soviet that elected them and are accountable to it.

Section III. Lower-Level Self-Management

Article 10. The Bodies of Lower-Level Self-Management

The bodies of lower-level self-management are as follows:

- body of government—the Soviet of People's Deputies;
- administrative body—the elder of the apilink or settlement (volost) and the mayor of the rayon (uyezd) city;
- the auditing commission.

The competence and organization of the activity of these entities of the self-management unit are established by this Law and by laws of Lithuanian SSR on the apilink, settlement (volost), and city self-management unit of Lithuanian SSR.

Article 11. The Soviet of the Lower-Level Self-Management Unit

The apilink, settlement (volost), and city (of a rayon (uyezd) city) Soviet exercises the powers set forth in Article 7 of this Law. In addition, the following matters are also taken up and decided exclusively in sessions:

1) election of the elder or mayor, appointment of their deputies and their removal from office, establishment of pay for these officials, and also supplements for the chairman of the Soviet or his deputy in conformity with the charts approved by the LiSSR Council of Ministers and within the limits of the established wage fund;

2) establishment of total amounts of appropriations for the elder, the mayor, their deputies, and their staffs;

3) allocation of land for juridical and physical persons in the cases and according to the procedure established by law.

Article 12. Administrative Agencies of the Self-Management Unit of the Apilink, Settlement (Volost), and Rayon (Uyezd) City

1. The apilink or settlement (volost) elder and city mayor are elected by the respective Soviet by secret ballot for the same term as the Soviet. The deputy elder or mayor is nominated by the elder or mayor and appointed by the Soviet.

2. Citizens of Lithuanian SSR who have reached age 21 and are fluent in the official language may serve as elder, mayor, or their deputies. The elder, the mayor, and their deputies may not be deputies of that Soviet.

3. The self-management unit's administrative agencies are guided in their activity by laws of Lithuanian SSR, by decisions of the republic's government and the respective Soviet, and they see that the administrative functions of the self-management unit are performed.

4. The elder, the mayor, and their deputies are responsible to the Soviet which elected them and are accountable to it. The question of removal of these officials before the end of their term is taken up by the Soviet in a session on a motion supported by one-third of the deputies.

The elder and the mayor issue orders and follow up on their execution within the limits of their competence.

The elder and the mayor appoint and dismiss the members of their staff, fix their wages in accordance with the charts approved by the Lithuanian SSR Council of Ministers and within the limits of the established wage fund.

Article 13. The Auditing Commission of the Lower-Level Self-Management Unit

The Soviet of the self-management unit elects an auditing commission whose chairman and deputy chairman are required to be deputies of that Soviet.

The auditing commission monitors execution of decisions of the Soviet by the elder and mayor and also examines their financial activity.

Section IV. Upper-Level Self-Management

Article 14. Upper-Level Bodies of Self-Management

1. The bodies of upper-level self-management are as follows:

- body of government—the Soviet of People's Deputies;
- administrative body—the rayon (uyezd) manager and the administration he manages, and also the mayor of a republic city and the administration under his direction;
- auditing commission.

2. The competence and organization of the activity of these bodies of the self-management unit are established by this Law and by laws of Lithuanian SSR on the rayon (uyezd) self-management unit and on the city self-management unit.

Article 15. The Soviet of the Upper-Level Self-Management Unit

The rayon (uyezd) or city (of a republic city) Soviet exercises the authority set forth in Article 7 of this law. In addition, the following items of business are taken up and decided exclusively in sessions:

- 1) formation of the presidium of the Soviet and changes in its composition;
- 2) election of the rayon (uyezd) manager and mayor of the city, appointment of their deputies and the secretary and their removal; establishment and amendment of the composition of the rayon (uyezd) or city administration; formation of its departments and other subdivisions, definition of their competence, and approval of supervisory officials;
- 3) establishment of the total amount of appropriations for the chairman of the Soviet or his deputy, the secretariat of the Soviet, the administration, its departments and other subdivisions; establishment of wages for the chairman of the Soviet or his deputy, the manager, the mayor, their deputies, and the secretary, and staff members of the Soviet's secretariat in accordance with the charts approved by the LiSSR Council of Ministers and within the limits of the established wage fund.

Article 16. The Soviet's Presidium

1. The presidium of the Soviet organizes the work of the rayon (uyezd) or city (republic city) Soviet and also performs other functions established by law. The following are ex officio members of the presidium: the chairman of the Soviet and his deputy and chairmen of the Soviet's standing commissions. Other deputies of that Soviet may also be elected members of the presidium by decision of the Soviet.

2. The Soviet's presidium:

- 1) organizes and convenes sessions of the Soviet and directs the preparation of business to be taken up by the Soviet;
- 2) coordinates the work of the commissions, deputy groups, and other bodies of the Soviet which the Soviet has formed;
- 3) provides assistance to the deputies in the exercise of their authorities and furnishes them the necessary information;
- 4) guarantees the glasnost of the Soviet's proceeding;
- 5) organizes surveys of the population and also public discussion of draft versions of decisions of the Soviet and other important matters;
- 6) organizes execution of decisions of the Soviet;
- 7) decides matters envisaged by law concerning the organization of elections and also prepares proposals concerning termination of the mandates of deputies before the end of their term;
- 8) carries out other orders of the Soviet and exercises the authority established in law.

3. Sessions of the presidium of the Soviet are called and chaired by the chairman of the Soviet as necessary. Other deputies of that Soviet and also the manager, the mayor, their deputies, and the secretary may take part in sessions with the right of an advisory vote.

The decisions of the Soviet's presidium are taken by a majority of the votes of all the members of the presidium. Decisions of the presidium of the Soviet are signed by the chairman of the Soviet.

4. The secretariat of the Soviet, whose structure and staff are established and whose members are appointed and dismissed by the presidium, provides support to the Soviet and its presidium in their work.

Article 17. The Rayon (Uyezd) Manager and Mayor of the Republic City

1. The rayon (uyezd) manager and mayor of the republic city are elected by the respective Soviet by secret ballot for the same term as the Soviet, but not more than two terms in succession. The deputy manager, the deputy mayor, and the secretary are nominated by the rayon (uyezd) manager or mayor of the city and appointed by the Soviet.

2. Citizens of Lithuanian SSR who have reached age 25, who have completed higher education, and are fluent in the official language may be elected rayon (uyezd) manager, city mayor, their deputies, or secretary.

The rayon (uyezd) manager, city mayor, their deputies, and the secretary may not be deputies of that Soviet. They are responsible to the Soviet which elected them

and are accountable to it. The question of removing these officials before the end of their term is taken up by the Soviet in a session on a motion supported by one-third of the deputies.

3. Within the limits of their authority, the rayon (uyezd) manager and city mayor issue orders and follow up on their execution.

Article 18. The Rayon (Uyezd) and City (Republic City) Administration

1. The rayon (uyezd) or city administration is an administrative body whose members include the rayon (uyezd) manager, the mayor of the city, their deputies, the secretary, and also members nominated by the manager or mayor and approved by the Soviet for the same term as the Soviet. The members of the administration may not be deputies of that Soviet.

2. The work of the rayon (uyezd) or city administration is organized and its sessions are convened by the rayon (uyezd) manager or mayor of the city.

The decisions of the administration are implemented in the form of decisions of the mayor or manager. Should disagreements occur between the manager or mayor and the administration, the dispute is settled by the Soviet of the self-management unit.

3. The functions of the administration in specific areas are performed by departments and other subdivisions whose supervisory officials are appointed and dismissed by the administration.

4. The bodies of the administration of the self-management unit are guided in their activity by laws of Lithuanian SSR, by decisions of the republic government, and also by decisions of the respective Soviet, and they see that functions of the administration of the self-management unit are performed.

Article 19. Rayon (Uyezd) and City (Republic City) Auditing Commission

1. The auditing commission is elected by the Soviet of the self-management unit; its chairman and deputy chairman must be deputies of that Soviet.

2. The auditing commission monitors execution of the decisions of the Soviet by the manager, the mayor, and the administration, and it inspects their financial activity and also the financial activity of the Soviet's secretariat.

Section V. The Economic Foundation of the Self-Management Unit

Article 20. The Economic Foundation of the Self-Management Unit

1. The property of the respective self-management unit, components of the local economy attached to the self-management unit, the resources of local budgets, and off-budget and other resources of the bodies of the

self-management unit comprise the economic foundation of the self-management unit.

2. Enterprises (associations) and organizations operating within the self-management unit, but not part of the local economy of the self-management unit, pay to the self-management unit a portion of mandatory payments into the budget.

Enterprises (associations) and organizations enjoying the status of a juridical person also pay a portion of mandatory payments to the budget in accordance with established procedure for subordinate structural units which are not independent. This money is paid to the self-management unit within which the given structural units are located.

3. The rights of the self-management unit over the land, bodies of water, forests, and other natural resources located on its territory are set forth in laws of Lithuanian SSR.

Article 21. Property of the Self-Management Unit

1. Property belonging to the self-management unit which the respective Soviet or other juridical or physical persons it has authorized possess, use, and dispose of on its behalf constitutes the property of the self-management unit.

2. The property rights of the self-management unit may apply to the following: the municipal housing stock, the facilities and installations of the municipal (settlement) economy, the fixed and working capital of enterprises of the self-management unit, elements of the infrastructure, the capital of the self-management unit invested in shares of stock and other securities.

3. The self-management unit's right of ownership arises as follows:

1) when elements of state property are duly transferred to the self-management unit;

2) when new elements of property are built;

3) when transactions are concluded, and also in other ways envisaged by law.

4. In exercising the right of ownership, the Soviet of the self-management unit:

1) creates enterprises, associations, and organizations to whose management it may transfer property according to the procedure established by law;

2) transfers property on the basis of a lease or in some other procedure established by law to work collectives, to public organizations, to cooperatives, to organizations of lessees, to partnerships, and also to individual citizens;

3) disposes of the property belonging to it in other manners envisaged by law.

5. The self-management unit possesses the prior right to acquire in accordance with procedure established by law public buildings, installations, and other structures located on its territory which may be used to meet the needs of the local economy.

Article 22. The Local Economy

1. The local economy constitutes the totality of enterprises, institutions, and organizations operating on the territory of the self-management unit, representing diverse forms of ownership, mainly satisfying local production needs and the social needs of the population. Their activity is duly regulated by the Soviet of the self-management unit.

2. The local economy of the self-management unit includes as a rule industrial, agricultural, construction, and construction-repair enterprises and organizations, enterprises and organizations in the housing management and municipal service sector, transportation, road and highway management, operation and construction of irrigation and drainage installations, the trade sector, communications, everyday services to the public, the design and planning of municipal service and social service facilities, environmental protection and forest use, institutions and organizations in the fields of public education, culture and motion picture distribution, health care and preventive medicine, physical education and athletics, social guardianship, as well as enterprises, institutions, and organizations for other purposes indicated in Paragraph 1 of this article.

3. The LiSSR Council of Ministers takes the recommendations of self-management units into account in attaching enterprises, institutions, and organizations to the local economy. Enterprises, institutions, and organizations of the local economy may not be assigned to a higher level of regulation without consent of the self-management unit.

Article 23. The Financial Resources of the Self-Management Unit

1. The financial resources of the self-management unit comprise the budget, off-budget funds, and the resources of the self-management unit.

2. Every self-management unit independently forms and approves its annual budget.

3. Relations between state budgets and local budgets and also between the budgets of self-management units at different levels are regulated by laws of Lithuanian SSR concerning the budget structure and taxes.

4. The revenues of the budget of the lower-level self-management unit are formed from sources of revenues assigned by law and deductions from state taxes and revenues at the stable rates established by the superior Soviet, as well as from subsidies.

5. The revenues of the budget of the upper-level self-management unit are formed from sources of revenues

assigned by law and deductions from state taxes and revenues at stable rates established by law, as well as from subsidies.

6. The rates of deductions to budgets of self-management units are determined and subsidies are granted in accordance with the established method for their computation. In cases when revenues or expenditures of local budgets change during the period of validity of long-term rates of deductions because of decisions taken by republic bodies of government administration or the self-management unit, compensation is made for the amounts of the changes. The size of the computation is determined by mutual agreement. The revenues of budgets of self-management units at both levels additionally realized during fulfillment of the budget and also amounts formed as a result of a saving on expenditures remain at the disposition of self-management units.

7. Self-management units at both levels may accumulate and use off-budget resources and funds in accordance with established procedure. Off-budget funds may be formed from voluntary contributions of enterprises, organizations, and individuals, mandatory payments for use of local natural resources, for hiring at enterprises persons who do not reside within the self-management unit, for violations in the area of environmental protection, for inflicting damage, from fines for administrative violations, and other resources.

8. The self-management unit may take bank credits, may take and grant loans, may organize the issuance of shares of stock, and may conduct lotteries.

Article 24. Basic Socioeconomic Rights of Self-Management Units

1. The following matters are also dealt with exclusively by self-management units:

1) drafting the document defining the basic directions for the economic and social development of the territory, long-term (for the 5-year planning period) programs and forecasts taking into account production capacities, financial and labor resources, and standard social welfare and financial quotas; the self-management unit possesses the exclusive right to establish priorities with respect to the social services;

2) consent and approval of enterprise projects regardless of the status of their activity in the areas of construction, use of manpower, local raw materials, and secondary resources, the use of land, water, and forests, natural conservation, services to the public and other areas which fall within the jurisdiction of the self-management unit;

3) the drafting and submittal of proposals for long-range strategies for the development and location of the productive forces, the drafting and approval of master charts for development of existing cities and settlements

and creation of new ones, the organization of the implementation of these plans, and participation in the drafting and implementation of republic programs;

4) the creation and organization of enterprises, institutions, and organizations of the local economy, regulation of the activity of the local economy, and consent on matters related to the creation and organization of other enterprises, institutions, and organizations;

5) the issuance of permits for the performance of economic activity, the registration of enterprises, institutions, organizations, and partnerships, establishment of requirements governing the construction, expansion, and reconstruction of all facilities located in its jurisdiction, for building construction and area development, architectural design and landscaping, and also their enforcement;

6) the deciding of issues in the project planning and construction of all facilities of the social service and production infrastructure, and performance of the functions of the general customer insofar as is possible;

7) centralized distribution of resources formed among enterprises and organizations of the local economy and individuals;

8) allocation of plots of land, state administration, and also oversight in the areas of land use, land conservation and improvement, and decisions on other matters in accordance with the procedure established by legislation;

9) the drafting of measures to rescue the population and preserve the economy in cases of breakdowns, disasters, and natural calamities, as well as their performance jointly with other state authorities;

10) establishment of requirements governing economic activity in the jurisdiction with respect to natural conservation and natural resource use, as well as their enforcement. Economic activity may be suspended if they are not met;

11) suspension or termination of the production and sale of foodstuffs and consumer goods if public health requirements and standards are not met;

12) the submittal of proposals on establishment of protected areas, organization of their protection, and assistance in establishing the rules governing their use;

13) the declaration of protection over areas and state monuments of architecture, nature, history, and culture of local importance; the organization of recordkeeping on state monuments and administration of their protection;

14) coordination and regulation within their jurisdiction of the location, structure, and activity of elements of the social service infrastructure, definition of the procedure for their use, and settlement of issues related to providing housing to the population;

15) creation and expansion of institutions and organizations in the fields of health care, social guardianship, public education, culture, physical education and athletics, and other social service institutions and organizations, and the support of their operation;

16) regulating the location of labor resources, the processes of migration, organization of optimum employment of the population, the retraining of workers, and the training of personnel;

17) regulation in accordance with established procedure of prices and service charges rendered to the public by all enterprises located in the jurisdiction and also charges for services rendered by enterprises of the local economy to other organizations, and the prices of products produced at enterprises of the local economy;

18) the advertising of local voluntary loans, the conduct of lotteries, and the issuing of shares of stock;

19) the granting of benefits concerning payments into their own budget, determination of the level of a tax (compensation) in accordance with the method established by the government for plots of land allotted, for the use of installations and other elements of the municipal and settlement economy, local natural resources, and also for persons residing within the self-management unit, but working in other self-management units;

20) establishment according to the procedure established by legislation of the wage fund of institutions and organizations financed out of the budget;

21) when necessary, the conclusion of contracts and agreements concerning cooperation with enterprises, institutions, and organizations which do not belong to the local economy, with other self-management units, foreign firms, and foreign bodies of local government and administration;

22) the drafting and performance of measures to balance personal income and expenditure;

23) the formation and use of foreign exchange holdings in accordance with established procedure;

24) organization of preservation of the state and social order, of the protection of civil rights and freedoms, and also of the property of juridical and physical persons, supervision over road and highway traffic, direction of subordinate elements for internal affairs and firefighting services.

2. The socioeconomic rights assigned in this article to self-management units at different levels are defined in other laws.

Section VI. Legal Guarantees of the Local Self-Management Unit

Article 25. General Aspects of the Legal Guarantees of the Self-Management Unit

1. Decisions of the bodies of the self-management unit taken within the limits of its competence are binding on all enterprises, institutions, and organizations located on its territory and also on officials and individuals. Failure to carry them out may result in application of coercive measures as set forth in legislation of Lithuanian SSR.
2. The rights of the self-management unit established by law may not be infringed or limited except in cases of state necessity as envisaged by legislation of Lithuanian SSR.
3. The bodies of the self-management unit exercise the powers granted them independently. By mutual agreement they may delegate a portion of the rights granted them (along with the resources required for their performance) to self-management units at another level or to other bodies.
4. Functions not envisaged by law may be transferred to the bodies of the self-management unit only on the basis of agreements between the body of the state and the body of the self-management unit.

Article 26. Guaranteeing the Exercise of the Rights of the Self-Management Unit

1. In cases of deliberation of matters affecting the interests of the self-management unit by superior bodies of the state, they are required to inform the self-management unit of this. The Soviet of the self-management unit makes its own recommendations to the superior bodies of the state, and it must take them into consideration.
2. The Soviet of the self-management unit, mindful of the interests of the population, possesses the following rights:
 - 1) to stay the execution of decisions of juridical persons located on its territory if they are contrary to legislation of Lithuanian SSR or to decisions of the bodies of the self-management unit until this matter is taken up by the competent body of the state. In cases when execution of the decision of a juridical person has been stayed unlawfully and damage has been caused thereby, the self-management unit may be made financially liable;
 - 2) to rescind consent to the designs of projects under construction on its territory and also decisions allocating land for construction or to prohibit construction in cases when the developer or land user has violated contracts concluded with the bodies of the self-management unit or legislation of Lithuanian SSR.

In the period between sessions of the Soviet, the body of the administration of the self-management unit may stay

execution of these decisions and thereafter submit its decision to the session of the Soviet for confirmation;

- 3) to demand or organize the conduct of additional environmental or other necessary expert evaluations of construction projects or operating facilities and the technologies in use or intended for use;
- 4) to establish on its territory, in accordance with the procedure envisaged by legislation, higher requirements to protect the residential environment and to apply economic penalties for their violation.

Article 27. Contesting Enactments of the Bodies of the Self-Management Unit

1. The procurator's office exercises oversight over the lawfulness of the activity of the bodies of the administration of the self-management unit, and they are also monitored by other bodies of the state so authorized.

The decisions of the bodies of the administration and officials of the self-management unit may be revoked by the respective Soviet.

2. Juridical and physical persons have the right to appeal according to the procedure established by law the decisions and actions of bodies of the administration and officials of the self-management unit before a people's court, arbitration commission, or the respective Soviet, and decisions of the Soviet which contradict a law may be appealed to the higher-level Soviet.

3. The Soviet of a lower-level self-management unit has the right to protest before the LiSSR Supreme Soviet decisions of the bodies of an upper-level self-management unit on matters that fall within the exclusive competence of the lower-level self-management unit.

4. The Soviet of an upper-level self-management unit has the right to stay decisions of bodies of a lower-level self-management unit if they contradict legislation of Lithuanian SSR. Should a dispute arise, the matter is definitively decided by the LiSSR Supreme Soviet.

5. The LiSSR Council of Ministers has a right to protest before the LiSSR Supreme Soviet decisions of the Soviet of an upper-level self-management unit should they contradict legislation of Lithuanian SSR.

The LiSSR Council of Ministers may in the cases envisaged by legislation of Lithuanian SSR stay and protest decisions of the bodies of an administration of an upper-level self-management unit before the Soviet of that self-management unit. Should a dispute arise, the matter is settled definitively by the LiSSR Supreme Soviet.

Article 28. Dissolution of the Soviet of a Self-Management Unit

1. The Soviet of a self-management unit may be dissolved and the activity of its bodies of administration stayed in the following cases:

1) if the bodies of the self-management unit take actions contradicting the LiSSR Constitution;

2) if the bodies of the self-management unit flagrantly violate laws of Lithuanian SSR or the constitutional rights of citizens, ignoring the demands of the competent state bodies of Lithuanian SSR that they cease the unlawful actions.

2. The Soviet of the self-management unit is dissolved by a documented decision of the LiSSR Supreme Soviet, which is adopted on the basis of the conclusion of a commission of deputies of the LiSSR Supreme Soviet specifically formed for that purpose.

3. In case of dissolution of the Soviet of a self-management unit, the LiSSR Supreme Soviet takes one of the following decisions:

1) to hold extraordinary elections within a period of 3 months for the Soviet of the respective self-management unit, assigning performance of the functions of the administration to a special commissioner of the government;

2) suspend the validity of the laws of the self-management unit on the territory of the respective self-management unit and institute administrative government for a period up to 1 year in accordance with specific laws of Lithuanian SSR.

Administrative government may be extended if necessary.

4. Dissolution of the Soviet of a self-management unit is also possible in a case when it has failed to reach a quorum on three successive occasions.

The recommendation to dissolve the Soviet of the self-management unit is submitted to the LiSSR Supreme Soviet by the chairman (presidium) of the Soviet of the self-management unit.

In these cases, the LiSSR Supreme Soviet adopts a decision to hold extraordinary elections to the Soviet of the self-management unit within a period of 3 months.

Lithuanian Banking Law Published

Draft Discussed

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[Article summarizing speech of Zenonas Zhilyavichyus, chairman of the board of the Lithuanian Republic Bank of USSR Gosbank, delivered in the 17th Session of the

LiSSR Supreme Soviet, 11th Convocation: "On the Draft Law Concerning the Bank of Lithuania"]

[Text] Independence must guarantee not only the idea itself, freedom of the spirit, but also a higher standard of living. History provides evidence that revolutions on a grand scale do change the principles of social and economic development. But the real life of society stays the same, the everyday routine: concern about daily bread, concern about everyday family affairs, about bringing up the young generation and its future, as well as the desire to ease the burden of old age and make life more pleasant and brighter for the sick and the handicapped.

We should only rejoice that today we are beginning to speak out loud about that large segment of society which lives below the poverty line. Yet the prediction of still greater poverty in the name of an easily gained freedom causes alarm. Nor is it encouraging to have an army of 100,000 people unemployed.

Finally, it is also time to go out onto the foreign market with open eyes. However we might have idealized it, there is not really very much philanthropy there; this is a market, not a banquet table decked out according to the old principles of Christian morality. You have to be strong, resourceful, and adroit to triumph there. We have to think about what we can sell to foreign firms without being left without our last shirt ourselves and about how to use the foreign exchange obtained, what benefit to get from it.

Even the popular wisdom runs: you cannot make a good pot from unworked clay. Some people have tried to equate this "working of the clay" with conformism. But when you take reckless leaps, you become bound by the entanglements of extravagant lines of argument. It is obvious that not many people can believe that gas can easily be replaced by Lithuanian peat.

The banks and their functions have a particularly important role to play in reestablishing Lithuania's economic independence. By concentrating and redistributing immense resources, by settling accounts for products and services, and through possession of up-to-date information on each enterprise's performance the banks not only have an opportunity to decide the fate of that enterprise, they can also have a very considerable impact on the economy as a whole.

Democratization of the economy and creation of a free commodity-money market signifies forward movement that is both simultaneous and unidirectional. In that process, the banks become still more important. Only improvement of banking and credit relations can take away the real financial levers from the powerful center, from the administrative-command system, which at present has the country's financial resources at its disposition. It is obvious, then, that the performance of the banks must be in line with the interests of the economy and cannot be oriented toward any other external motives.

The Law on the Foundations of the Economic Independence of Lithuanian SSR, adopted by the LiSSR Supreme Soviet on 18 June 1989, was supposed to set up the republic's banking system. It called for creation of a two-level credit system. The first level was the Lithuanian Bank as the central (note-issuing) bank, or, in other words, the banks' bank. Its purpose is to regulate the economy through money and credit and also to control the activity of other banks by economic methods.

The second level consists of various state, stock, commercial, and other banks maintaining direct contacts with enterprises, organizations, and individuals.

All countries which have well-developed banking have two laws to regulate the activity of banks. The first law covers state regulation of money and credit relations. This is the law on the note-issuing bank. The second covers the rules governing performance of banking operations or regulation of the relations of banks with enterprises, organizations, and individuals.

To be sure, Yanina Mikulene, chairman of Sotsbank, when he did not receive support in the competent commissions, proposed in a letter addressed to Algirdas Brazauskas, chairman of the Presidium of the republic's Supreme Soviet, that the activity of all banks be regulated in a single law. This proposal has been taken up in the working group for preparation of laws on banks and in the Commission of the Council of Ministers for Reform of the Economy. It was not supported. What is more, as I have already mentioned, that proposal is not in line with the practice of many states. And the example of Estonia need not at all be the standard, as my opponent is proposing.

It would, of course, be better if we could debate and adopt both these banking laws today. Unfortunately, the working group has not managed to prepare the draft of the law regulating the activity of commercial banks. But for the present we can do without that law, the banking system is functioning, the specialized state banks can be reorganized as joint stock banks or other banks and start operation.

The draft of the Law on the Bank of Lithuania as the institution of the state regulating credit-and-money relations is offered for your consideration. The draft of this law was prepared by a working group formed by order of the Council of Ministers. The draft of the Law on the Bank of Lithuania has been debated twice in the Commission of the Council of Ministers for Performance of the Economic Reform. In addition to the members of the commission and the authors of the draft, senior officials and specialists of all the republic's banks also took part in the discussion. What is more, the draft law has been analyzed by the Planning and Budget Commission of the Supreme Soviet.

The first section of the law speaks about the place of the Bank of Lithuania among the other entities managing the economy, about its subordination, and about other matters of an organizational nature.

The second section of the bill regulates operations of the Bank of Lithuania on the domestic and foreign money markets and the servicing of the state debt.

We should note that it is being proposed that the size of the state debt be decided by the Supreme Soviet of Lithuanian SSR as a higher level of authority. This procedure is consistent with world practice and is indispensable in disciplining the economic policy being carried out by the state, which has a direct impact on the state of the circulation of money and the purchasing power of the currency.

The third and fourth sections of the bill regulate the licensing activity of the Bank of Lithuania, that is, the registration of banks being established, as well as the functions of monitoring their activity that arise out of the purpose of the note-issuing bank, which is responsible for state regulation of money and credit relations.

I must say that during discussion of the bill in the Commission of the Council of Ministers for Performance of the Economic Reform some managers of specialized banks issued a reproach, saying that the Bank of Lithuania is being granted rights that are too great in matters of overseeing and monitoring other banks.

The desire to be the inviolable master in one's own temple is understandable, but a bank is not and cannot be anyone's inviolable temple. It is quite well-known that our present economy is deformed, squeezed, and it will remain that way for quite some time yet. In that kind of economy, then, which lacks minimum oversight of the state, it is not possible to permit the commercial banks to hold sway. In pursuit of their narrowly departmental interest, they could deform the economy even more. That is why the authors of the bill and the Commission of the Council of Ministers for Performance of the Economic Reform could not honor the suggestions of the specialized banks on this question.

I can state unambiguously that even in those states where there exists a normal commodity-money market the managers of commercial banks and banks of other structures are not overjoyed and frequently complain of petty interference from the state central bank. The monitoring and oversight of other commercial banks are not made the responsibility of the central bank in order to give it prestige. Aside from other motives, this is also being proposed because when a commercial bank goes bankrupt, its founders also lose their capital at the same time. In America, which has old banking traditions, savings banks were carried away with extensive commercial activity. In recent years, more than 10 banks have gone bankrupt. The government has therefore been forced to allocate amounts in the millions from the federal budget to cover the losses of the bankrupt banks and to pay out deposits to individuals. In the future, when a nondepartmental auditing firm will be established, the Bank of Lithuania will be relieved of certain functions in auditing and monitoring commercial banks. But it is still early to speak about establishing auditing firms. Still,

this does not change the essence of the matter. What difference does it make who does the audit in the commercial banks—auditors of the Bank of Lithuania or a specialist of an auditing firm?

The fifth and sixth sections of the bill regulate the procedure for management of the Bank of Lithuania, for appointment of officials, as well as other matters concerning the bank's internal activity.

The draft of the Law on the Bank of Lithuania and on its establishment confronts the banking system as it now exists. But what is to be done? The folk wisdom would have it: fear the wolves, do not go into the woods. But we have already gone rather far into the woods. What is left, then, is to go consistently further and seek the fertile ground from which we can expect a new yield when we sow our seed. I call for approval of the Law on the Bank of Lithuania that has been submitted by the LiSSR Council of Ministers.

Text of Law

904A0251B Vilnius SOVETSKAYA LITVA in Russian
1 Mar 90 pp 1, 3

[Draft law issued by A. Brazauskas, chairman, and L. Sabutis, secretary, of the Presidium of the LiSSR Supreme Soviet, in Vilnius, 13 February 1990: "Law of the Lithuania Soviet Socialist Republic on the Bank of Lithuania"]

[Text] This Law lays down the legal foundations for establishing the Bank of Lithuania and is an expression of Lithuania's desire for independence. The law establishes the tasks and functions of the Bank of Lithuania.

Section I. General Provisions

Article 1. The Bank of Lithuania

The Bank of Lithuania is the central bank of the republic and is the property of the Lithuanian state.

Article 2. The Bank of Lithuania Is a Juridical Person

The Bank of Lithuania is a juridical person which has its own status and seal containing a representation of the Lithuanian state emblem and the inscription "Bank of Lithuania."

The Bank of Lithuania is established and liquidated by the LiSSR Supreme Soviet, which also approves its bylaws.

The Lithuanian state is not liable for the obligations of the Bank of Lithuania, just as the Bank of Lithuania is not liable for obligations of the Lithuanian state, except in cases when the Bank of Lithuania assumes such liability or when the LiSSR Supreme Soviet places such liability upon it.

Article 3. Subordination of the Bank of Lithuania

The Bank of Lithuania is directly subordinate to the LiSSR Supreme Soviet. Orders and instructions of the Government of Lithuanian SSR on matters concerning the circulation of money and extension of credit are binding on the Bank of Lithuania insofar as this and other laws so provide.

Article 4. Administration of the Bank of Lithuania

The Bank of Lithuania is managed by the bank's board consisting of the chairman of the board, his deputies, and the members of the board. Members of the Government of Lithuanian SSR may take part in sessions of the board of the Bank of Lithuania with the right of an advisory vote.

Only citizens of Lithuanian SSR qualify to be chairman of the board of the Bank of Lithuania, his deputies, or members of the board.

The chairman of the board of the Bank of Lithuania is nominated by the Government of Lithuanian SSR and appointed by the LiSSR Supreme Soviet.

The chairman of the board of the Bank of Lithuania participates in sessions of the LiSSR Council of Ministers with the right of an advisory vote.

The deputy chairmen of the board and members of the board of the Bank of Lithuania are nominated by the chairman of the board of the Bank of Lithuania and confirmed by the Presidium of the LiSSR Supreme Soviet.

The organization of the work of the administration of the Bank of Lithuania is regulated by the bank's bylaws.

Article 5. Monitoring the Activity of the Bank of Lithuania

Audits of the activity of the board of the Bank of Lithuania, its institutions, and organizations are done by the auditing department of the Bank of Lithuania. The chief of the auditing department is nominated by the chairman of the board of the Bank of Lithuania and appointed by the Presidium of the LiSSR Supreme Soviet.

Article 6. Capital of the Bank of Lithuania

The capital of the Bank of Lithuania is comprised of founding capital and also other capital accumulated from profit as indicated in the bank's bylaws. The Bank of Lithuania manages, uses, and disposes of this capital in accordance with laws and its own bylaws.

The founding capital is allocated to the Bank of Lithuania and its amount established by the LiSSR Supreme Soviet.

Distribution of the profit of the Bank of Lithuania is regulated by the bank's bylaws.

The Bank of Lithuania is required to publish monthly and annual statements in the required format.

Article 7. Branches and Organizations of the Bank of Lithuania

The Bank of Lithuania has the right to establish its branches and also independent enterprises in Lithuanian SSR and other states.

Article 8. The Bank of Lithuania's International Relations

The Bank of Lithuania represents the interests of the Lithuanian state in international banks and other international credit institutions.

Article 9. Exclusive Right of the Bank of Lithuania

The Bank of Lithuania possesses the exclusive right to put the money of the republic into circulation.

In the exercise of this right, the Bank of Lithuania organizes the manufacturing, transport, and storage of bank notes, establishes the denominations of bank notes, their form, distinguishing characteristics for determination of validity, and also the procedure for withdrawing from circulation worn-out and damaged bank notes and their replacement, creates reserve stocks of bank notes, and also defines procedure for conducting expert evaluation of bank notes.

The Bank of Lithuania is required to inform the republic about bank notes put into circulation.

Article 10. Principal Tasks and Functions of the Bank of Lithuania

The Bank of Lithuania:

- 1) regulates the circulation of money and credit;
- 2) organizes domestic and external settlements between banks;
- 3) sets the exchange rate of the republic's monetary unit;
- 4) until adoption of a convertible currency in the republic, establishes the coefficient for exchange of the republic's money against a foreign currency;
- 5) conducts monetary and note-issue policy in order to correct disproportions of the market and create conditions for adoption of a convertible currency;
- 6) jointly with the Ministry of Finance organizes cash fulfillment of the state budget;
- 7) organizes the sale of the bonds of a domestic loan issued by the republic's government, their redemption, and payment of interest rates on them;
- 8) monitors the creation of credit institutions and their activity in the republic;

9) performs cash, settlement, and credit operations with customers;

10) serves as consultant to the republic's government and furnishes it information on monetary and credit matters.

Article 11. Normative Acts of the Bank of Lithuania

The Bank of Lithuania issues normative acts regulating bank relations which are binding on all the republic's credit institutions.

Section II. Operations of the Bank of Lithuania

Article 12. Operations With Customers

The Bank of Lithuania is entitled to perform the following operations:

- 1) to purchase and sell promissory notes, checks, and commercial paper;
- 2) to discount promissory notes and other securities bearing signatures of at least three guarantors or sureties if no more than 3 months remain from the date of their submittal for discounting and the payment date. In exceptional cases, by decree of the bank's board, promissory notes and other commercial paper bearing signatures of two guarantors or sureties may be accepted for discounting if no more than 6 months remain before the date of payment;
- 3) to purchase the bonds of a domestic loan issued by the LiSSR Government within the limits established by the LiSSR Supreme Soviet;
- 4) to extend credits for a term not exceeding 3 months and secured by the following:
 - promissory notes meeting the requirements of Subparagraph 2 of this article in an amount not to exceed 75 percent of the face value of the notes presented;
 - securities issued by the LiSSR Government in an amount not to exceed 75 percent of their face value;
- 5) to extend to the republic's credit institutions loans of all types in the form that is accepted in banking practice for a term negotiated with the borrower;
- 6) to purchase and sell gold, other precious metals, foreign exchange, and payment instruments denominated in foreign currencies;
- 7) to accept securities, precious metals, and other valuables for safekeeping;
- 8) to collect checks, promissory notes, and other settlement documents, securities, and their coupons;
- 9) to open correspondent accounts and other accounts for Lithuania's credit institutions and foreign credit institutions and to regulate the procedure governing the conduct of those accounts.

Article 13. Cash Fulfillment of the State Budget and Other Operations

The Bank of Lithuania organizes cash fulfillment of the state budget through the republic's credit institutions. Performance of these functions without payment may be entrusted to branches of the Bank of Lithuania.

The Bank of Lithuania, with the help of other credit institutions, organizes the sale of the bonds of a domestic loan issued by the republic's government, their redemption, and the payment of interest on them.

Article 14. Operations With Foreign Credit Institutions

The Bank of Lithuania is authorized to perform the following operations:

- 1) to take loans from foreign and international banks and also credit institutions;
- 2) to extend loans to foreign banks and international credit institutions;
- 3) to accept from foreign and international banks, credit institutions, and other organizations funds in their accounts or deposits;
- 4) to be a guarantor, to issue letters of guaranty covering money obligations of juridical persons of Lithuania and juridical persons of foreign states and also international organizations;
- 5) and to perform other international currency operations as envisaged in its bylaws.

Article 15. Secrets of the Bank

The Bank of Lithuania is required to keep secret information on performance of commercial operations by customers and correspondents and concerning the status of their accounts.

Information on commercial operations of clients and on their accounts may be furnished by the bank only to the following:

- 1) to the customers themselves;
- 2) to a court or arbitration commission in the cases specified by law;
- 3) to financial authorities concerning tax matters.

Section III. Licensing Functions

Article 16. Creation of Credit Institutions

No credit institution may be created in the republic except by permission of the Bank of Lithuania. To obtain permission the founder must present the following documents:

- 1) the application;
- 2) the economic justification;

- 3) documents on creation of a credit institution.

When a joint bank involving foreign founding partners is being created in the republic, the founders are required to submit in addition documents confirming the right of the foreign partner to participate in creation of a joint bank.

The Bank of Lithuania must make the decision on creation of a credit institution within 1 month from the date of submittal of all the documents indicated in this article.

The Bank of Lithuania is entitled to refuse to issue a permit for creation of a credit institution if the agreement on creation of that institution or its bylaws do not conform to laws of Lithuanian SSR or on grounds of instability of the financial condition of the founders of the credit institution.

Disputes concerning creation of credit institutions are taken up in the procedure established by law.

All credit institutions created are registered in the registration book of the Bank of Lithuania. From the date of its registration, the credit institution acquires the status of a juridical person and the right to perform banking operations.

Article 17. Issuance of Permits To Perform Operations in Foreign Exchange

The Bank of Lithuania is authorized to issue permits to credit institutions to perform operations in foreign currencies in Lithuania and abroad depending on the economic advisability and organizational preparedness of the credit institution.

Article 18. Creation of Foreign Banks and Their Branches

The Bank of Lithuania regulates and monitors creation of foreign banks and other credit institutions, their affiliates, and representative offices in Lithuania.

Section IV. Regulating the Circulation of Money and Credit

Article 19. Regulation of the Circulation and Purchasing Power of Money

The Bank of Lithuania regulates the circulation and purchasing power of the money by changing the amount of credit issued by credit institutions, by purchasing and selling state securities and foreign exchange, by adjusting the levels of legal reserves of credit institutions, and by establishing and changing interest rates on credits being extended.

Credit institutions are required to keep their uncommitted funds in the Bank of Lithuania.

Article 20. Interest Rate Limits

The minimum and maximum rates of interest are established for all credit institutions of the republic by the LiSSR Government.

Article 21. Establishment of Standards

The Bank of Lithuania establishes the following for the republic's credit institutions:

- 1) the minimum size of founding capital;
- 2) the ratio between "own" funds and the sum total of assets;
- 3) indicators of the liquidity of the balance sheet;
- 4) standard proportions of the reserves to be kept in the Bank of Lithuania;
- 5) the minimum rates of deductions from profit to reserve capital and insurance capital;
- 6) the maximum size of the risk per borrower.

Section V. Monitoring the Activity of Credit Institutions**Article 22. Organizing the Monitoring of the Activity of Credit Institutions**

The Bank of Lithuania is required to monitor the activity of the republic's credit institutions and to conduct complete or sample audits for that purpose.

Article 23. Measures Whereby the Bank of Lithuania Brings Pressure To Bear on Credit Institutions

The audits are conducted by the auditing department of the Bank of Lithuania in accordance with the regulation on audits established by the Bank of Lithuania.

The instructions of the Bank of Lithuania concerning correction of deficiencies are binding on the credit institution.

The Bank of Lithuania is authorized as follows:

- 1) to increase the rates of legal reserves and the levels of interest rates and to tighten other economic standards;
- 2) to revoke the permit for the activity of the credit institution.

Article 24. Revoking the Operating Permit of the Credit Institution

The Bank of Lithuania may revoke a permit for operation of a credit institution in the following cases:

- 1) if it has submitted fictitious documents or inaccurate information to obtain the permit;
- 2) if commencement of its activity has been delayed 6 months from the date when the permit was issued;
- 3) if it has systematically violated laws or its own bylaws in the conduct of banking operations;

4) if it has regularly submitted inaccurate data and reports;

5) if it has failed to observe the standards established by the Bank of Lithuania;

6) if the manager of the credit institution is found unfit to perform his duties because of his personal qualities or insufficient qualifications.

After the operating permit of the credit institution has been revoked, an entry to this effect is made in the registration book of the Bank of Lithuania.

Disputes concerning the revoking of a permit are taken up in the procedure established by law.

[Box, p 1]

Decree of the LiSSR Supreme Soviet: On Creation of the Bank of Lithuania

In connection with the adoption on 18 May 1989 of the Law on the Foundations of the Economic Independence of Lithuanian SSR, the Supreme Soviet of the Lithuanian Soviet Socialist Republic decrees as follows:

1. To create the Bank of Lithuania on 1 March 1990.
2. To order the LiSSR Council of Ministers:
 - to draft the bylaws of the Bank of Lithuania and by 1 July 1990 to submit them to the LiSSR Supreme Soviet for approval;
 - to decide the question of allocating space for the Bank of Lithuania and its financing.

A. Brazauskas, chairman of the Presidium of the LiSSR Supreme Soviet

L. Sabutis, secretary of the Presidium of the LiSSR Supreme Soviet

Vilnius, 13 February 1990

Draft Law on State Control of Estonian SSR Published

904A0255A Tallinn SOVETSKAYA ESTONIYA in Russian 1 Mar 90 p 3

[The Law of the Estonian Soviet Socialist Republic on State Control of the Estonian SSR]

[Text]

Title I. General Provisions

Article 1. ESSR State Control (Goskontrol) is a state body for economic oversight subordinate to the ESSR Supreme Soviet.

Goskontrol verifies that the money and physical resources of the state are used lawfully and expediently and verifies the preservation of state property.

Article 2. State Control consists of the ESSR State Controller, his deputy, and chief controllers.

Article 3. Goskontrol is headquartered in Tallinn. It may also designate other cities and settlements as places where some of their personnel are stationed permanently, or, if necessary, it may send them to work permanently in state enterprises, institutions, and organizations, which set aside the necessary space and communications facilities for conduct of inspections and audits.

Article 4. Goskontrol has its own budget, submitted by the State Controller and subject to approval of the ESSR Supreme Soviet, which is a part of the ESSR State Budget.

Article 5. Goskontrol operates on the basis of this Law and other laws of Estonian SSR, and it is guided in the exercise of control by the normative acts of Estonian SSR regulating financial and economic activity of the enterprises, institutions, and organizations under its oversight.

Title II. The Tasks of Goskontrol

Article 6. Goskontrol:

- 1) controls and audits fulfillment of budgets of ministries, state departments, inspectorates, and other state institutions of Estonian SSR and the financial and economic activity of state enterprises and organizations from the standpoint of lawfulness, efficiency, and purposiveness, and the authenticity of records and reporting;
- 2) monitors the activity of people's enterprises and leased enterprises based on state property to the extent and in accordance with the procedure envisaged by the founding contract or lease;
- 3) sees that state subsidies, off-budget funds, and earmarked capital is used purposefully and for the stated purpose;
- 4) monitors the financial and economic activity of those joint-stock companies in which the state holds the controlling block of shares or in which such joint-stock companies and the state together possess the controlling block of shares;
- 5) monitors the use of state resources by the bodies of local self-government in the cases, to the extent, and according to the procedure envisaged by law;
- 6) verifies the use of loans issued from the state budget and also the economic condition of those enterprises, institutions, and organizations in which the state figures as guarantor of loans or a performance of contractual obligations;
- 7) monitors the preservation of property which does not belong to the state, but which the state possesses or is using.

The activity of the ESSR Supreme Soviet, the ESSR Government, and the Bank of Estonia does not fall in the jurisdiction of Goskontrol.

Article 7. Goskontrol has the right of legislative initiative and the right to make recommendations as to the drafting, amendment, and supplementation of decrees of the government and other normative acts of Estonian SSR.

The drafts of normative acts of the Government of Estonian SSR, ministries, state departments, and the Bank of Estonia on matters of cash records and financial records and reporting of state enterprises, institutions, and organizations are subject to clearance with Goskontrol.

Article 8. Goskontrol extends aid to and guides the activity of state administrative agencies and the bodies of local self-government, state enterprises, institutions, and organizations in organizing internal audits.

Article 9. Goskontrol annually submits to the ESSR Supreme Soviet a report on use of resources and on the safekeeping of the property of the state during the past budget year, along with its conclusion concerning the report on fulfillment of the state budget.

Title III. The Bodies and Officers of Goskontrol and Their Jurisdiction

1. The State Controller

Article 10. Goskontrol is headed by the State Controller. The State Controller is appointed to his position and dismissed by the ESSR Supreme Soviet upon representation of the Presidium of the ESSR Supreme Soviet.

The term of office of the State Controller is 7 years.

Article 11. The tasks of the State Controller are as follows:

- 1) general direction of the activity of Goskontrol, assurance of legality in the exercise of control, and representation of Goskontrol;
- 2) determination of the organizational structure of Goskontrol;
- 3) the drafting of programs for development of Goskontrol and the application of up-to-date forms and methods of control and auditing;
- 4) support for the work of the Goskontrol Council and conduct of its meetings.

Article 12. In the performance of these tasks, the State Controller:

- 1) determines the number of departments of Goskontrol and the sphere of their activity, approves the structure and staff size of departments and the office, as well as the permanent workplaces of inspectors and auditors away from the headquarters of Goskontrol;

- 2) conducts competitions to fill vacancies for chief controllers, heads of structural subdivisions of departments, the head of the office, controllers, and auditors; hires and discharges personnel of Goskontrol in accordance with procedure and fixes their salaries;
- 3) approves regulations on departments and the office and the internal work rules;
- 4) approves the work plans of Goskontrol and schedules audits not included in the plan;
- 5) monitors the legality of decisions of chief controllers and rules on appeals against the decisions and actions of chief controllers;
- 6) exercises the right of legislative initiative on matters within the sphere of activity of Goskontrol and informs the ESSR Supreme Soviet and its bodies about activity of Goskontrol;
- 7) sees that the draft budget, work report, and financial report of Goskontrol are compiled and submitted to the ESSR Supreme Soviet on time.

Article 13. The State Controller may participate in meetings of the ESSR Government with the right to speak.

Article 14. The State Controller makes decisions and issues orders on matters pertaining to regulation of the internal life of Goskontrol.

A decision of the State Controller may be appealed in court in accordance with the procedure prescribed by law.

Article 15. Should the State Controller be absent temporarily, he is replaced by the Deputy State Controller.

2. Deputy State Controller

Article 16. The Deputy State Controller is appointed and dismissed by the ESSR Supreme Soviet on representation of the State Controller. The term of office of the Deputy State Controller is 7 years.

Article 17. The Deputy State Controller:

- 1) brings about the conditions necessary for the activity of the personnel of Goskontrol;
- 2) organizes competitions to fill vacancies, improvement of the qualifications of personnel, and data processing;
- 3) conducts an analysis of inspection and auditing and makes recommendations to the State Controller on improving the effectiveness of control;
- 4) compiles drafts of the budget, of plans of inspections and audits, and the report on the work of Goskontrol;
- 5) organizes cooperation with state departments, inspectorates, and other bodies carrying out state control in Estonian SSR as well as with agencies and officers of social control.

Article 18. Should the Deputy State Controller be absent temporarily, he is replaced by one of the chief controllers appointed by the State Controller.

3. The Goskontrol Council

Article 19. The members of the Goskontrol Council are the State Controller, his deputy, and the chief controllers.

Article 20. The Goskontrol Council:

- 1) approves the operating procedure of Goskontrol;
- 2) examines the designs of the organizational structure of Goskontrol, the distribution of duties and staff of departments, and drafts versions of the budget, work plans, and the report on work;
- 3) hears the summary results of inspections and audits;
- 4) discusses other matters brought up by the State Controller.

Article 21. The Goskontrol Council is convened by the State Controller.

The State Controller conducts the meeting of the Council. Should it be impossible for the State Controller and his deputy to participate in a meeting, the meeting is conducted by the senior member of the Council.

When necessary, representatives of the ESSR Government and other bodies of state administration, directors and specialists of enterprises, institutions, and organizations are invited to take part in the proceedings of the Council.

Article 22. The Goskontrol Council may conduct business if more than half of the members of the Council take part in the meeting. Decisions are made by a simple majority of the votes of members of the Council. In case of a tie vote, the vote of the chair decides.

4. Departments and the Office

Article 23. Goskontrol has departments which may be divided into structural subdivisions for branches of activity and places monitored. The departments are headed by chief controllers appointed and dismissed by the ESSR Supreme Soviet on representation of the State Controller.

Article 24. Inspections and audits are conducted through the departments. The chief controller makes decisions on inspections and audits conducted by the department; these decisions may be appealed to the State Controller.

Article 25. The task of the office is to handle the paperwork of Goskontrol and its economic and technical services. The office is headed by the office chief.

Article 26. The tasks of the departments and office of Goskontrol are defined in the respective regulations.

Title IV. Qualifications Which Must Be Met by Goskontrol Personnel

Article 27. The State Controller must have higher education, a good knowledge of the main subject matter in administration of the state and the economy, and must have experience in supervisory positions in the state administration. The State Controller may continue in his position until he reaches age 65. The same requirements apply to the Deputy State Controller.

Article 28. The chief controllers of departments and heads of structural subdivisions of departments must have higher education corresponding to the specialized character of the department or structural subdivision. They must have a good knowledge of the basic subject matter in administration of the state and the economy and the fundamentals of bookkeeping and economic analysis.

Article 29. The office chief must have a higher legal education, must know management theory and the practical activity of state administrative agencies, and must have experience in organizing paperwork and office work.

Article 30. The qualifications which must be met by controllers, auditors, and office personnel are set down by the State Controller on recommendation of chief controllers and the office chief.

Article 31. Personnel of Goskontrol must have a knowledge of language to meet the requirements that apply to state employees.

Article 32. Supervisory personnel of Goskontrol, controllers, and auditors are forbidden to work in salaried positions in enterprises, institutions, and organizations under the oversight of Goskontrol; nor may they be people's deputies.

Title V. Operating Procedure, Rights, and Responsibility of Goskontrol

Article 33. Goskontrol operates on the basis of an annual plan. The State Controller schedules inspections and audits not included in the plan.

Article 34. Inspections and audits are conducted as a rule at the enterprises, institutions, and organizations being inspected, and their specific times, methods, and scope are established by Goskontrol at its own discretion.

Article 35. Inspections and audits are conducted so as to hinder as little as possible the activity of the subjects of the inspection. Goskontrol personnel must not interfere in the operational activity of enterprises, institutions, and organizations, must not make their conclusions public, and must not issue an assessment of circumstances that have not been thoroughly verified.

Article 36. Enterprises, institutions, and organizations are required to provide the necessary working conditions

for Goskontrol controllers and auditors and also for specialists who are brought in.

Article 37. Goskontrol personnel have the following rights in performance of their duties:

- 1) to demand presentation of primary documents, accounting registers, balance sheets and reports, cost estimates, contracts, orders, instructions, and other legal acts reflecting the economic and financial activity, correspondence corresponding to the case and clerical documents;
- 2) to enter without hindrance warehouses, storage facilities, production buildings, and other rooms and structures to determine the existence of inventories and to verify the existence of money and securities;
- 3) to obtain from managers and other personnel of enterprises, institutions, and organizations verbal and written explanations and information on matters related to the inspection and audit;
- 4) to confiscate documents to be attached to the audit record, to seal files and documents and places where money and inventories are stored, and to obtain copies of documents;
- 5) to obtain data, information, and copies of documents concerning financial and other operations in the cases and according to the procedure envisaged by law from institutions of the Bank of Estonia, credit and commercial banks, and other enterprises, institutions, and organizations;
- 6) to issue recommendations to the subjects of inspection on correction of deficiencies discovered during the inspection and audit and on improvement of financial and economic activity.

Article 38. Upon application of Goskontrol, the Government of Estonian SSR, ministries, state departments and inspectorates, ispolkoms of uyezds, and republic-level cities provide assistance to Goskontrol personnel in obtaining data necessary in connection with an inspection and audit.

Article 39. Ministries, state departments, and inspectorates of Estonian SSR inform Goskontrol about all normative acts adopted which regulate recordkeeping, distribution, and use of money and physical resources.

Article 40. Goskontrol may use specialists of other enterprises, institutions, and organizations in conducting inspections and audits, paying for their work in accordance with established procedure.

Article 41. Goskontrol has the right to raise the issue of the accountability of officials who have not provided the necessary working conditions for controllers and auditors or who do not meet other requirements of the present Law or who submit to them for inspection documents that have not been organized or have not been altogether filled out.

Article 42. Personnel whose activity Goskontrol is checking may be present during the taking of inventory and measurements to check inventories for which they are responsible, may examine the content of primary and summary documents written up during an inspection or audit insofar as they concern their activity, and also documents and reports from which those being inspected could draw conclusions about the deficiencies, violations of established procedure, and abuses found in their activity, and also to present on their own behalf explanatory notes and additional documents to be appended to the papers on the inspection.

Article 43. An official document is written up on the inspection and audit; the controller or auditor signing it is responsible for its correctness.

Article 44. The results of the inspection or audit are made known to the manager of the enterprise, institution, or organization, and circumstances that have an essential impact on revenues or expenditures of the state budget are also made known to the ESSR minister of finance.

Goskontrol notifies the competent superior authority of damage done to the state and also of violations of law. In cases of substantial damage, Goskontrol sees to clarification of the causes of its occurrence and reimbursement of the loss. In case of detection of actions containing the elements of a crime, Goskontrol submits the relevant material to the investigating authority.

Information as to the steps taken is delivered to Goskontrol within 1 month.

Article 45. Goskontrol personnel and outside specialists may use data they have obtained during inspections and audits only in the interests of performing work assignments of Goskontrol.

Goskontrol preserves state, production, and commercial secrets and safeguards the constitutional rights of individuals during inspections and audits.

Article 46. Personnel of Goskontrol are responsible for performing their official duties in accordance with the procedure envisaged for state employees.

Article 47. Goskontrol may by agreement with bodies of local self-government delegate to them the right to verify and audit the financial and economic activity of enterprises and organizations which are jointly owned by the state and the body of self-government.

Article 48. Goskontrol may in agreement with control authorities of the Union of SSR, union republics, and foreign states, and also with international control organizations, transfer to one another or assume certain assignments in carrying out inspections and audits.

Title VI. Reporting and Checking the Activity of Goskontrol

Article 49. Goskontrol annually compiles a report on its work which it submits to the ESSR Supreme Soviet and makes public.

Article 50. Goskontrol informs the ESSR Supreme Soviet on the results of inspections and audits performed by its assignment and the ESSR Government on the results of inspections and audits conducted on its recommendation, and also on the results of other inspections which have general importance or require that prompt steps be taken.

Article 51. Goskontrol is accountable to the ESSR Supreme Soviet, and its activity and fulfillment of its budget are monitored by the ESSR Supreme Soviet.

ESSR Minister On Status of Estonian Economic Independence

904A0238A Tallinn SOVETSKAYA ESTONIYA in Russian 20 Feb 90 p 1

[Interview with Edgar Savisaar, Estonian Minister of Economics, by A. Birov: "Three Questions for the Minister of Economics"]

[Text] One may encounter Edgar Savisaar, Estonian Minister of Economics, just as often in Toompea as in Moscow, in Postpredstvo ESSR or in the Kremlin. This is understandable: indeed, important state problems must be resolved and various points of view coordinated, debated and proven. Yesterday he spent the entire day in the USSR Council of Ministers, Gosplan, Gosnab and he attended a session of the USSR Supreme Soviet. For one half hour prior to the departure of his airplane for Tallinn, I was able to ask him only three questions. There simply was not enough time for any more.

[Birov] Notwithstanding the fact that the law governing independence for the Lithuanian SSR, the Latvian SSR and the Estonian SSR entered into force on 1 January, it has still been under discussion in Moscow offices for more than a month. As the Estonian Minister of Economics, are you satisfied with the results of these prolonged and heated debates, or does the main struggle still lie ahead?

[Savisaar] No, I am not satisfied. Although we knew in advance that all of the problems would not be resolved with the adoption of this law, since the law itself embodies a whole series of contradictions. For example, Paragraph 6 states that Estonian laws have a priority and at the same time Paragraph 1 maintains that the republic's laws must function within the framework of the laws of the USSR.

There are many such contradictions and they are being resolved only by authority and force which, as is well known, our partner has noticeably more of than we do. A second example: many of the law's statutes have not

been revealed. For example, all installations and enterprises, with the exception of the most important union ones, are subordinate to the republic. And indeed all installations can be considered as being in the latter category, that is, the law allows for various interpretations. It lacks clarity. And we noticed this in particular during subsequent negotiations that were marked by various points of view and, as a result, a whole series of contradictions appeared. We do not agree with the union budget tax that is twice as high as last year's tax; we did not receive any resources for credits; we did not receive our portion of the union currency receipts and others. In short, the entire campaign still lies ahead. On the first day of this session, we sent a recommendation to M. Gorbachev calling for political negotiations between Estonia, Latvia and Lithuania on the one hand and with the Soviet Union on the other.

[Birov] In the opinion of professor Aoyama Sigeiki Khamada, of the University of Tokyo, who studies the development of events in the Baltic in a very scrupulous manner, "cost accounting Estonia requires a minimum of a quarter of a century in order to achieve the level of developed capitalist countries." Do you agree with this evaluation?

[Savisaar] A unilateral approach must not be employed in answering this question. On the one hand, this is dependent mainly upon external factors and how favorable they are—both in the Soviet Union and in other countries that surround us—and upon our internal readiness and capability, on the other. Indeed, economic development assumes the adoption of radical decisions and their implementation. This is first of all the land reform and, as is well known, this was carried out with great difficulty and pain back in the 1920's. And I see at the present time that it poses a serious threat to society. This assumes a decentralization of production, which is strongly monopolized at the present time. And as is well known, decentralization is encountering strong resistance in the center. Time must reveal the extent to which we are internally ready to carry all of this out. And everything is dependent upon just how much time we need.

[Birov] Recently there has been some sharp discussion throughout the republic concerning the question as to whether or not Estonia should withdraw from the USSR. In your opinion, under what set of circumstances will the Estonian economy develop more effectively and in a more stable manner? And, generally speaking, is it possible for Estonia to live in the absence of economic contacts with the union?

[Savisaar] If we examine our history, then we see that our operations proceeded best when both the eastern and western markets were open, that is, when the development of our economic contacts advanced in both directions. Unfortunately, this does not happen very often. Usually, if one market is open, the other is closed, and conversely. In the early 1920's, Estonia also developed its own plans in connection with the Tartu peace treaty,

with independence, with NEP [New Economic Policy (1921-1936)] in Russia and with an open eastern market. Overall, this furnished greater hopes for further development. But alas, Stalin began to carry out his policy of economic isolation, and the eastern market turned out to be closed to a considerable degree for our purposes. Regardless of whether or not we are part of the union, we nonetheless are geographical neighbors—this is a fact that we cannot ignore. It signifies that the economic contacts must not only remain but be developed further and it is in this direction that we are functioning and operating today, as we wish to achieve horizontal contacts and economic arrangements with, for example, Kazakhstan or any other Russian oblasts. And we will be unable to organize a Baltic market in the absence of such horizontal economic contacts.

And when will the Estonian economy develop in a more effective and stable manner? Certainly, this will occur when it responds to international interests. Today's situation derives from the fact that the ESSR, over a period of decades, has not controlled the development of its own economy. As a result, we witnessed the appearance of super-industrialization and the development of industrial branches considered to be illogical for our republic—hence the development of problems with raw materials and with ensuring production operations. All of this had an adverse effect on our agriculture. Indeed, it would be more logical to orient it towards the production of beef and milk, an area in which we can supply our own feed, and not pork where we are dependent upon imported mixed feed. A lack of stability in deliveries leads to a lack of stable development both for agriculture and for the economy as a whole. Indeed, our partner can at any time reduce deliveries or reject them entirely. And in this sense an independent economy certainly is more effective and more stable. But this again does not exclude stable and mutually advantageous relationships and their development.

Negative Aspects of Estonian Economic Independence Viewed

904A0248A Moscow *EKONOMIKA I ZHIZN* in
Russian No 10, Mar 90 p 17

[Interview with I. Shepelevich, director of the Tallinn Electrical Equipment Plant imeni Kh. Pegelman, by P. Antropov: "Local Dictates Are No Better"]

[Text]

Estonia has been working under the conditions of economic independence for 3 months now. What has regional cost accounting done for the production life of labor collectives?

I. Shepelevich, director of the Tallinn Electrical Equipment Plant imeni Kh. Pegelman, responds to this and a number of other questions.

[Shepelevich] We do not yet see any particular changes. And it is not only that there has not been much time for

conclusions but that, as practice shows, economic independence in the republic was declared without the proper preparation.

The new Law on Taxation has not yet been established and we are making all of our payments to the budget in the old way. Nor has a mechanism been worked out for economic interrelationships between the enterprises and the republic. But the desire of the directive bodies of Estonia to shift enterprises of union subordination to the jurisdiction of the republic as quickly as possible very much resembles an attempt to replace one dictate with another.

But how is the local dictate "sweeter" than that of union departments? In no way! The experience of our neighbors, the Estoplast Plant, convinces us of this. Little has changed there in the year and a half since the moment when it was transferred to republic control.

On the other hand, the number of those desiring to take command over a collective has not declined but even increased. But the rate of growth of production volumes did not increase because of this. We must self-critically acknowledge that in January our plant also reduced the amount of production by 6 percent in comparison with January 1989.

We are, of course, feeling the effects of the unstable situation in the republic, which is being created by the appeals of extremists for Estonia to withdraw from the USSR. Uncertainty about tomorrow and the price increases for a number of commodities by local authorities cannot fail to be reflected in the mood of the people in a most negative way. Meetings in the streets and squares are frequently continued in the shops and workplaces. This diminishes discipline and labor productivity. The result is that many enterprises have begun to work worse rather than better, despite the proposals of the authors of the concept of economic independence.

[Antropov] But one can also hear a different explanation for the decline in the rate of production: it is said that the economic blockade of Estonia by other republics is at fault. Is this the case?

[Shepelevich] In my view, all of this talk about an economic blockade was needed only to justify certain defects in the concept for economic independence, in which politics frequently gets the upper hand over the requirements of the economy. As paradoxical as it may seem, the aggravation of problems in material and technical supply is sometimes caused by the increase in the independence of the enterprises as well as the republics. They also present counterdemands to subcontractors from Estonia and raise the prices for their products. And there is nothing to be done about it—such is the specific nature of relations under the conditions of the monopolized structure of the national economy, in which the market is only coming into being.

True, it is possible to agree with the fact that recently there has been an increase in mistrust toward the enterprises of the Baltic states and economists have begun to doubt our dependability. But who is at fault here if not we ourselves? Attempts to shut ourselves off from our neighbors through our own currency, customs barriers and increased prices evoke a sharp reaction by our partners in other republics. It must be said frankly that such a policy complicates the work of republic economists.

[Antropov] What, in your view, must be done so that each collective will feel the favorable influence of the republic's economic independence?

[Shepelevich] It is necessary above all to stabilize the political situation in the republic and not to allow the splitting of the labor collectives by nationality. All working people of Estonia regardless of their nationality want life to be easier. And all of them must have equal opportunities to participate in the realization of the concept of its economic independence. But the best means to resolve economic problems is to be more concerned about the development of factories and plants. They will pay back that concern. If, for example, our labor collective becomes convinced that the republic authorities will give it more help than the union ministry, it will request that it be moved to republic control.

Unfortunately, we often sense that the republic departments want only to receive more from the enterprises without giving anything in return. Judge for yourself. The charge for electric power was increased this year by a factor of four (!), transport costs went up sharply and construction will now be more expensive for us by a factor of 1.7. Taxes for land and water will soon be added to the customary payments to the budget. So that by the end of the year our collective will most likely be poorer rather than richer. Such a prospect can hardly stimulate an increase in the efficiency of production.

[Antropov] Party committees used to help the enterprises resolve many economic problems. These functions have now been turned over to agencies of soviet authority. How are they coping with this obligation?

[Shepelevich] It is true that we felt the help from party bodies. But the local soviets, alas, still think that the problems must be resolved by the enterprises themselves. Their business, however, is to collect income. In this situation, it is especially difficult for enterprises of union subordination. They are sometimes viewed as a foreign body in the economy of the region. Our interests are not considered. Here is a final example. The Kharyuskii Rayispolkom confiscated our land, which had previously been allotted to the plant for the construction of a preventive clinic and a Pioneer camp. This is a direct blow to our social program. Where can we look for protection?

We think that the accumulated problems can and must be resolved only through joint efforts taking into account

mutual interests. Precisely this is the basis of the republic's economic independence. If there is mutual interest, all will gain: the population of the city where the enterprise is located and each labor collective.

Georgian Commercial Bank Created

904A0248B *Tbilisi ZARYA VOSTOKA* in Russian
27 Feb 90 p 2

[Interview with Otar Tokhadze, deputy director of the planning and economic administration of the Georgian republic bank of USSR Gospromstroybank, by Givi Mchedlishvili: "Happy Birthday, Bank!"]

[Text]

Ivertbanki, a Georgian commercial bank, has been established under the All-Georgian Rustaveli Society. At the meeting of its shareholders, Otar Tokhadze, who now holds the post of deputy director of planning and economic administration of the Georgian republic bank of USSR Gospromstroybank, was elected manager of the bank.

[Tokhadze] The Georgian commercial bank is a universal credit institution established at the initiative of the public as well as of banks, enterprises, associations, cooperatives and other organizations of the republic through the voluntary integration of part of the own capital belonging to them.

In accumulating and effectively using the financial resources, the bank contributes in every possible way to the development of enterprises, associations, organizations, institutions and cooperatives. With the help of banking instruments, it helps to strengthen their cost accounting and financial position, to increase the volume and improve the quality of produced output, to expand the services provided the population, to accelerate the resolution of social questions, to expand innovation and to introduce truly commercial relations.

[Mchedlishvili] In other words, the bank is developing its own rules?

[Tokhadze] Exactly, on the basis of the general legislative acts of the USSR and Georgian SSR in matters of finances, credit, monetary turnover and accounts, and, being guided by its own charter as well as the standard documents of USSR Gosbank relating to the work of commercial banks, it formulates the rules for the credit and accounts servicing of its clients.

[Mchedlishvili] Who may be a shareholder of the bank?

[Tokhadze] Banks, ministries, departments, public organizations, institutes, enterprises and organizations, and cooperatives may be shareholders of the bank. In other words, all organizations that are legal entities. Banks, firms and organizations of foreign countries may also be shareholders.

Shareholders who have contributed their share of not less than 150,000 rubles to the bank's charter fund are

founding shareholders with a right to vote. All organizations and institutions that contributed their share of from 10,000 to 150,000 rubles can be shareholders without voting rights. At the present time, 23 enterprises and institutions are shareholders of Ivertbanki.

[Mchedlishvili] What is the charter fund of the bank?

[Tokhadze] The bank's charter sets it at 6.2 million rubles. It can be increased at the decision of the shareholders' meeting through an increase in the shared contributions, an increase in the number of shareholders and through the profit of the bank. The next meeting of shareholders will examine the question of increasing their number. The following have expressed a desire to become shareholders of the bank: the presidium of the board of the Georgian Society for the Blind, whose share was set at 750,000 rubles; the rayon consumer's cooperative of Ozurgetskiy Rayon; the joint Soviet-Canadian enterprise Rio-Excel with headquarters in Moscow, and others.

[Mchedlishvili] The bank, of course, will carry out the cash accounting and payments servicing of their clients. And what else can it do?

[Tokhadze] The bank will perform the functions of a savings bank, that is, it will provide credit to lessees and citizens performing individual labor activity. It can also have a shared participation in the establishment of joint production systems, organizations, enterprises and cooperatives and can participate in measures for the development and introduction of inventions and innovations in the territory of the country and abroad. In these cases, the bank has the right to receive income proportionate to its contribution. It will provide economic and legal consultation to those desiring it.

The bank can carry out factoring and leasing operations as well as mediating functions. In addition, it can provide guarantees, issue an information and advertising bulletin and, under license by the USSR Vneshekonombank [Bank for Foreign Economic Activity], carry out operations in bringing in and placing foreign exchange resources in the form of credits, loans, deposits, investments and other forms.

For these purposes, the bank can set up correspondent agreements with foreign and international banks and other institutions on the conditions and system for the carrying out of clearing, the management of accounts, the obtaining and granting of credit and the performance of other operations.

[Mchedlishvili] What is the interrelationship with USSR Gosbank?

[Tokhadze] It is enough to say that the accounting and paper flow in the bank is organized in accordance with the rules established by USSR Gosbank, because these rules are uniform throughout the territory of the country.

[Mchedlishvili] And when will the bank begin work?

[Tokhadze] Our bank was registered with USSR Gosbank a few days ago. Under number 231. We are opening a correspondent account in the operations directorate of the Georgian Promstroybank and essentially we will begin work on 1 March.

Otsason on Banks' Role, Creation of Estonian Currency

904A0196A Moscow SOYUZ in Russian No 5,
29 Jan 90-4 Feb 90 p 6

[Article by Reyn Otsason, president of the Bank of Estonia and Doctor of Economic Sciences: "Ruble and the Kroon"]

[Text] Recently the newspapers have acquainted us with the year's first ukase of the Presidium of the Supreme Soviet of Estonia: "Reyn Augustovich Otsason is assigned as president of the Bank of Estonia and released from his position as deputy chairman of the Council of Ministers for the Estonian SSR."

Reyn Otsason, Doctor of Economic Sciences, headed the Institute of Economics of the republic's Academy of Sciences. He is one of the authors of the republic's cost accounting program and an active advocate of independence in banking operations throughout the republic and our own national currency. An IZVESTIYA correspondent in Tallinn, Leonid Levitskiy, asked him to discuss the role and place of the Bank of Estonia within the country's existing bank system and its importance with respect to the radical economic reform which the republic has launched.

The Bank of Estonia is first of all a symbol of genuine restructuring of economic control and the replacement of ultra-centralism by regional self-government. Traditionally, what has been the arrangement for our banking system? It has a completely autonomous regulator—USSR Gosbank. There are specialized subunits for which its instructions serve as law. In actual life, it appears as follows. Estonia, for example, has accumulated credit resources—the savings of the population have increased. We transfer them over to the center and there, in Gosbank, the decision is made: to which one of the specialized republic banks in Tallinn will credit be allocated. In addition, Agroprombank, Zhilotsbank, Sberbank and others are subordinate to their own all-union centers. The system for the issuing of credit, for interest on loans and for all types of financial services—is defined in advance in a very strict manner. Even the list of customers is provided: what enterprises are serviced by which bank.

The republic has practically no opportunities for handling its own financial resources. Is this not why endless requests are made to the center? And finances are the key to administering the economy. Thus the law governing economic independence in Lithuania, Latvia and Estonia, recently adopted by the USSR Supreme Soviet, sets forth a statute calling for the management of the banks to be turned over to the republics.

We wish to create a bank system that will be completely different from that adopted throughout the country. At its center—the Bank of Estonia. Its tasks—to implement an economic strategy, to regulate monetary circulation and to be the chief headquarters for a network of commercial banks. They have already proven their effectiveness in Estonia. The first one of them, in the city of Tartu, aroused the centralized banks from their passive state. They had to join in competition with the newcomer and find their own customers, that is, they had to perform in a more active manner.

The advantages of commercial banks derive from their freedom from administrative channels. They are forced to earn funds by rendering services on a contractual basis. They can take monetary resources from one another and from enterprises and they can find the most advantageous points and spheres for the application of capital. Competition between them, and it will be inevitable, will support enterprise. The Bank of Estonia by no means intends to order them about. But the right to regulate their actions remains, since this will ensure the observance of definite norms and the preservation of resources. These norms have been verified through international practice and are needed. The same holds true for withholdings for the centralized reserve, for the purpose of avoiding large-scale failures.

The second trend in our operations—the regulation of operations associated with foreign currency and valuables. With the conversion over to our own currency, and we believe that this will occur in January of next year, we must monitor the balance between the Estonian kroon on the one hand and the ruble and the money of other republics and countries on the other. Otherwise, our foreign trade will not be effective.

And the third trend—regulating monetary circulation. The ruble continues to lose its value. In my opinion, the situation will be even worse in the future. We believe the solution lies in converting over to our own money. During a discussion of the republic's cost accounting problems in the country's Supreme Soviet, it was pointed out to us that the Estonian kroon (and the currency of other republics) will not be true money. They do not have gold support or free convertibility. Yes, from this standpoint the Estonian kroon is not 100 percent money. But it will fulfill all of the necessary functions in the republic's national economy—as a means of payment and as a measure of value and savings.

The conversion over to the kroon is an obligatory and yet necessary step. And in fact it is urgently needed. It will not affect the interrelationships with the country or other republics. Newcomers to the republic have nothing to fear. In keeping with a definite rate of exchange, they will exchange an established amount of rubles for kroons. But in the process, all of the restrictions on the acquisition of goods, which exist at the present time, will disappear.

A special program for exchanging the savings of the population has been developed. There are methods for withdrawing surplus funds and not permitting a situation to exist in which there will be just as many kroons as there are rubles. What are these methods? The plans call for goods having a high market value to be purchased abroad. We will obtain the currency for these goods through credit and naturally we will pay off this credit using our own sources. We intend to issue state bonds and to sell some enterprises to joint stock companies. Similar measures are being proposed by the union Ministry of Finances. But there is one basic difference—it intends to place back in circulation the funds recovered from the population. We will withdraw kroons from circulation and at the same time we will balance demand and supply. And enterprises and the trade will be forced to search for customers, study demand, expand the assortment of products and lower their production costs. Will the interests of the population suffer under the monetary reform? To a minimal degree. The proposed rate of exchange: 11 rubles for 10 kroons. This will not lower the purchasing power of the savings.

We will certainly be able to carry out the plans, provided that the all-union organizations do not interfere. We have already encountered attempts aimed at halting a radical change in the banking system in Estonia. The union financial centers are pretending that there is no law concerning the economic independence of the Baltic republics. I was informed bluntly by USSR Agroprombank that the transfer of its subunits over to Estonia is viewed as being wrong and that we must wait until a special decision is handed down by the country's Council of Ministers in this regard. Vneshekonombank has actually already eliminated its subunit in Tallinn.

Opposition is obviously inevitable, despite the fact that none of what we have done can be viewed as harmful to the interests of the union on the whole or to the interests of the other republics. But, understandably, we wish to free ourselves of the monopolism of the central departments and their dictates. By no means is this meant to imply a breakdown in our relationships with the country's Gosbank. There are many problems which must be examined and resolved together. But the era of commands has receded into the past—administrative measures are alien to banking operations.

Problems Raised by New Estonian Currency

904A0173A Moscow KOMSOMOLSKAYA PRAVDA in Russian 1 Feb 90 p 1

[Article by G. Sapozhnikova: "Don't Hide Your Money..."]

[Text] Money has now been printed in Estonia, even if only a shovelful. Recently local Estonian newspapers reprinted and issued thousands of copies of the future national currency and informed readers about the completion of a contest sponsored by the ESSR Council of Ministers. What you see now in the photograph is the

best entry. It was entered in the contest by Vladimir Tayger, a teacher at the Estonian Art University.

Aleksey Seznev, chairman of the board of the Estonian Republic Savings Bank, reported to us that, in the first half of December 1989, 36 million rubles were deposited in Estonian savings accounts. For many years the figure has averaged 22-25 million rubles per quarter. During the first two weeks of January, Estonian savings banks took in 14 million rubles. During this time last year, the figure was 7.6 million. What has happened? Of course, there is the increase in the population's income, inflation, insurance and the thirteenth paycheck, characteristic of the end and beginning of any calendar year. However, last year and the year before last, inflation, living standards and earnings were also rather substantial. So, if they are not the cause, what is?

It is apparently because, having heard the word "foreign currency" (even though it is Estonian, even though it does not yet exist, has not been backed up, either objectively, by gold, or competitive goods—but nevertheless it will not be the ruble), local residents and guests from neighboring republics who keep capital in their trunks and mattresses have rushed to deposit it into Estonian savings banks. Also, from the very beginning, the Estonian kroon will be stronger than the ruble.

However, I want to discourage those who dream about receiving these usurious sums—comrades, none of you will get them—do not even try. This is because the Estonian government has already taken measures to prevent such phenomena. In other words, only deposits by Estonian inhabitants (this measure is being introduced to make the Estonian economy more healthy) made before a certain date will be eligible for one-to-one exchange rates. The exact date is still secret. Later deposits will be exchanged at another, less favorable rate. All the evidence indicates there will be a "ceiling" on the amount exchanged. Of course, there is a logic to this. What sense is there in introducing our own currency to stabilize the economic situation if we exchange all money kept in stockings throughout the entire Soviet Union, and thus automatically transfer inflation from the ruble to the kroon?

To be honest, there are heaps of problems. Here is an example. If inhabitants of Estonia know for certain that when the national currency is introduced they can get a guaranteed exchange rate for only half of the million (an arbitrary amount, of course) rubles they have saved, then naturally they will take the other half and put it in Russian banks or will attempt to do something with it in Leningrad, Pskov, and Novgorod oblasts. (What about papering the walls with rubles?). A wave of economic instability may move from Estonia to neighboring areas. In the language of economics, this is the so-called migration of money. It is now occurring, and on a countrywide scale. Some people are taking money to the Baltic republics, while others are taking it out (and what else can be taken, if everything else is scarce?) Most of them are doing this only because they are thinking about a

currency that is non-existent and that will be in another purse, not noticing that in doing this they are devaluing their own.

This is nothing new; people have long quarreled over money. What if they can make peace? Reyn Otsason, president of the Bank of Estonia, is counting on at least this.

"The deterioration of the consumer goods market has already brought several unpleasant restrictions into our lives: selling on the basis of passports, on 'orders,' consumer cards and ration cards. We put up with this, so? We are patiently waiting for the situation to improve. But it is a simple fact that it will not improve out of thin air. Seeing the seriousness of the financial situation in the USSR as a whole and in our republic, Estonian economists and the republic's population have become convinced that for supply and demand to reach equilibrium it is first of all necessary to withdraw from an area where there is circulation of excess money. However, this can be done only if we are able to give republic organs the economic responsibility for regulating the money supply in the republic. This is possible only if we introduce our own republic currency, closely tied to the country's money supply. This is the reason for measures which, a year ago, many called surprising. We propose to establish a normal, economically justified exchange rate for the kroon, both with Western currencies and the ruble. In no case will this mean a deterioration in economic relations with other republics. As before, all transactions will be settled in rubles. The Estonian currency will be used only for our own internal transactions."

The president of the Bank of Estonia reassured inhabitants of adjacent regions that prior to introducing its own currency, the Estonian government would think about a mechanism for protecting its neighbors.

There is still no such mechanism. This is because there are not enough things to buy. Without them any money, no matter what it is called, will remain mere paper. I have something in my notebook for opponents of economic independence for the Baltic republics: The value of the first batch of notes will, from all evidence, exceed the entire annual money reserves of Estonia. The exchange mechanism itself and the construction of exchange points for tourists will cost a lot. These are difficult questions; it is more honest to bring them up now.

To be honest, I do not understand one thing: Why are we so nervously reacting to the idea of an Estonian national currency? According to this logic, it is necessary for inhabitants of Estonia, or even for me, a correspondent, to put up with getting money from Moscow and not from an Estonian bank. Well, I put up with it. For the life of me, I still do not understand how we are going to get a convertible kroon.

I have one last argument "for." The Estonian government is not at all interested in lowering the living

standards of its own people. This means that behind its persistent advocacy of the idea of its own foreign currency there is something greater than simply the idea of state, political and national uniqueness.

All-Union-Subordinated Enterprises Come Under ESSR Control

904A0257A Tallinn SOVETSKAYA ESTONIYA in Russian 28 Feb 90 p 2

[Interview with V. Yushkin, chief of the Department for Restoring the Republic's Economic Integrity of the ESSR Ministry of Economics, by correspondent Ya. Tolstikov: "Inter-Governmental Agreement Achieved"]

[Text] Forty enterprises of union subordination are transferred over to the republic's jurisdiction.

On 7 February of this year, the USSR Council of Ministers, the Council of Ministers of the Lithuanian SSR, the Council of Ministers of the Latvian SSR and the Council of Ministers of the Estonian SSR adopted a decree entitled "Priority Measures for Implementing the USSR Law Entitled 'Economic Independence of the Lithuanian SSR, Latvian SSR and Estonian SSR During 1990.'"

This decree arrived recently in Tallinn. Our correspondent, Ya. Tolstikov, holds a discussion on this subject with V. Yushkin, chief of the Department for Restoring the Economic Integrity of the ESSR Ministry of Economics.

[Tolstikov] Would you please describe this inter-governmental decree.

[Yushkin] The republic has waited a long time for this document. What is notable about it first of all? If you please, for the very first time in all the years of Soviet rule, a joint quadrilateral decree and quadrilateral agreement has been issued that calls for priority measures aimed at realizing the economic independence of the Baltic republics. In all probability, there is not one head of a desk that has as yet viewed such a document. It is an all-round document, the first section of which concerns placing a number of enterprises and organizations of union subordination, and located on the territory of the mentioned republics, under the jurisdiction of the republics in the established manner and prior to 1 March. A list of these enterprises and organizations is attached to the decree. For Estonia—40 units. The list is divided into two sections. The first lists those which are being turned over in the conventional manner—separate lists are being prepared, the acceptance and transfer document is to be signed and there is a change in ownership at the moment it is signed. The second contains a statement which holds that enterprises which transfer over to the jurisdiction of a republic, in addition sign long-term agreements with their former ministries. The mutual obligations of the parties involved in connection with product deliveries, supply operations and others, are regulated in the agreements. That is, one side, a

union ministry, is obligated to supply the necessary raw materials and equipment, and even imported equipment if needed. And the second party—a plant—over the course of a definite interval of time, for example over a period of 5 years, must supply the union market with the products called for in the contract. Logically, such long-term agreements concern only large-scale enterprise-monopolists which have a substantial effect upon the status of the all-union market. They are mentioned in the second list.

[Tolstikov] Overall, 40 enterprises are shown on the two lists. Is it not possible to single out the principal ones?

[Yushkin] The first list includes, for example, the state Yarlepa Breeding Plant, the Estonian Agricultural Academy and the Tallinn Plant for Musical Cassettes—21 units in all. In the second—the Ilmarine Plant, the Talleks Association, the Eesti Kaabel Plant, the Vyru-pibor Association, the Vyvt Plant, the Estlesprom Association, the Orbita-Servis Production Association, the Estonfosforit Association and others. It should be mentioned that initially the lists contained 60 enterprises and organizations and that at the last moment they were shortened to 40 units—of an overall total of roughly 170 units.

[Tolstikov] And what about such large-scale plants and associations as Volta, the Tallinn Machine Building Plant, Elektrotekhnika and RET, which were not included in these lists?

[Yushkin] In the first point of the joint quadrilateral agreement, it is stated that work concerned with the transfer over to the jurisdiction of the republics of organizations, enterprises and institutions located on their territories will be continued. True, a reservation was stipulated: the discussion concerned those enterprises which are not of all-union importance. And we are presently developing the concept—the methods to be used for operations in the future. Should we sit full time in Moscow as we did earlier, or should we make a preliminary determination as to the significance of the concept of the object—of the 130 remaining—which are of all-union importance. That is, to proceed from the opposite end, to define initially such a small range. And that which is not automatically included in it, should be transferred over to the republic. It is with this in mind that we will commence our second stage of negotiations with Moscow.

[Tolstikov] What must we in the republic do in the interest of carrying out the quadrilateral decree?

[Yushkin] Recently, precisely on 22 February, the Board of Directors of the Ministry of Economics examined the draft republic decree on this subject. I will mention the chief consideration. The appropriate ministries and departments within the republic are being assigned responsibility for transferring enterprises and organizations over to the republic's jurisdiction. A committee

headed by a director is being created at each enterprise and this committee must prepare the appropriate documents.

[Tolstikov] And the period of time required for such a transfer?

[Yushkin] Realistically, it should be carried out during the course of one quarter.

[Tolstikov] What else is of importance in the inter-governmental decree?

[Yushkin] USSR Agroprombank and Zhilsotsbank are being turned over to the republic's jurisdiction. We would like all of the remaining banks to come over to us and yet thus far we have been able to win over only two of them. The republic's opportunities for foreign economic operations are expanding to a considerable degree. If you please, this is the most progressive and radical part of the decree.

[Tolstikov] You have already mentioned the fact that the 20 enterprises cited in the original draft did not end up on the final list. Which of these enterprises cannot be mentioned by name? And why, in your opinion, were they removed from this list?

[Yushkin] It is difficult for me to comment upon why, at the last moment, all of the enterprises of Minrybkhоз [Ministry of the Fish Industry], and particularly the Estrybeprom Association, ship repair plants and planning organizations, were removed from the list, which was coordinated with the union's Gosplan. Actually, back in September of last year, during the first stage of the negotiations in Moscow, there was no doubt regarding the transfer of these enterprises over to the republic's jurisdiction; they were turned over to us with no objections being raised. I can only state that on this occasion the decision was handed down in the absence of extensive discussion and behind closed doors. We can only guess as to what motivated its authors. It also concerns Latvia and Lithuania. And the three Baltic premiers, when they entered the office of N. Ryzhkov for the purpose of signing the final document, were confronted by an established fact and obviously were unable to sign the document from which enterprises (in the case of Estonia—20 units) had been removed. The Estonians Association, the Institute of Mining Affairs imeni Skochinskii and a mine rescue detachment were also removed from the list. But here the problem is more or less understandable—the labor collectives opposed such a transfer. I can conjecture as to why enterprises of the automobile industry were removed from the list—branches of the KamAZ, AvtoVAZ and AvtoVAZzapchast associations, which provide services for automobile owners on the republic's territory. Obviously, since these are firm enterprises, they should remain in their former systems, although earlier it was expected that they would be turned over to the republic. But why did enterprises of Minrybkhоз remain under union subordination—I repeat that this is completely incomprehensible.

[Tolstikov] And the collectives themselves did not raise any objections?

[Yushkin] True, for the most part they raised no objections.

[Tolstikov] We state—"transferred over to the republic's jurisdiction." How accurate is this statement? How can it be stated correctly?

[Yushkin] Until such time as the law on ownership is adopted at the parliamentary level, it is considered advisable to use precisely this neutral term "under the jurisdiction," which offends nobody. Such a "transfer" represents a conversion of the enterprises over to the republic's property. This is beyond any doubt.

[Tolstikov] And how does the republic intend to handle this newly acquired property?

[Yushkin] Nobody intends to do anything of a substantial nature during the first stage. But in the Ministry of Economics, we have prepared a draft ukase of the Presidium of the ESSR Supreme Soviet, which regulates the status of the mentioned enterprises. We drew the conclusion that such enterprises, at the moment of their transfer from union subordination to republic jurisdiction, must be granted the status of a state enterprise of Estonia. But immediately thereafter, as written in the draft ukase, which must be adopted in the near future, the collective itself will decide whether it is worthwhile to leave the state sector of the economy or become a leasing enterprise, a joint stock company, a small enterprise, cooperative or others. That is, acquire a form which derives from the ESSR law governing an enterprise. And each collective will decide this question itself. My opinion—if an enterprise works on a low profitability basis, it is inadvisable for it to leave the state sector. And joint stock ownership will probably become the most widespread form of ownership in the republic.

[Tolstikov] But does not the transfer presuppose the entry of union enterprises into the structure of the ESSR Ministry of Industry?

[Yushkin] It presupposes this beyond any doubt, since a particular enterprise must be included in the appropriate branch. However, a republic ministry does not have those administrative rights which the union departments have possessed up until this time. Our Minprom [Ministry of Industry] administers enterprises only with the aid of economic levers. And the social protection for workers in such a case will be provided by the state. But if one wishes to set out on a leisurely voyage, then there is no need to enter any port. Consider the entire element of risk and convert over to lease relationships and create a joint stock company.

[Tolstikov] Can it be assumed that such enterprises will operate more efficiently upon converting over to republic jurisdiction?

[Yushkin] The entire question has to do with the fact that in such cases the enterprises immediately acquire a

considerably greater degree of freedom. But their subsequent fate will depend upon themselves. In my opinion, joint stock companies represent the most promising form for the Baltic. Strong investments in foreign currency are expected and yet it would be most profitable for western capital to invest resources mainly in joint stock enterprises.

[Tolstikov] And now the question which has excited and still excites many individuals: with the conversion of enterprises over to republic jurisdiction, is there not a deterioration in the area of supplying them with raw materials and other materials?

[Yushkin] In recent years, supply operations have deteriorated throughout the country as a whole. And this has generally been inevitable as a conversion has taken place from funds and limits over to a market trade. More exactly, a deterioration has been observed at those enterprises, the products of which are not in high demand on the union market. But on the other hand, supply operations have always been carried out well and will be carried out well in the future at those enterprises the products of which require a market.

[Tolstikov] It is known that fears persist: when an enterprise converts over from union to republic subordination, it inevitably will have to reorganize its production operations—in conformity with the needs of the region. Is this not so? To what extent are such fears justified?

[Yushkin] There is a very simple answer for this question. On 18 March, as is well known, a new parliament will be elected for the republic and it will appoint a new premier and a new government. And this government will decide, let us assume, to reorganize Talleks on an urgent basis. But it is clear to any engineer, and even to an inexperienced one, that the reorganization of production operations is a process that takes place over a period of many years. And if the government nevertheless goes ahead and hands down a decision without consulting with the collective or without taking into account the existing economic relationships, then it will be confronted by an entire range of problems—in the form of personnel retraining, job placement, unemployment compensation and others—that will force it to forego its plans. Thus it is very doubtful if wild individuals can be found in the government who will be willing to accept the risks involved in such social experiments.

Provisions of New ESSR Import-Export Law Discussed

904A0199A Tallinn SOVETSKAYA ESTONIYA in
Russian 6 Feb 90 p 3

[Interview with Yulo Sarva, head of the Department of Inter-Republic Economic Relationships of the ESSR Ministry of Economics and Candidate of Economic Sciences, by R. Baleva: "What Will Now Happen Following Adoption of the Law?"]

[Text]

The Estonian SSR Law on Regulating the Importing and Exporting of Goods, which aroused many questions among our readers, was published in our newspaper on 1 February. And these questions included: upon what goods will quotas be imposed, where can licenses be obtained, and are all goods subject to registration? We asked Yulo Sarva, head of the Department of Inter-Republic Economic Relationships of the ESSR Ministry of Economics and Candidate of Economic Sciences, to furnish answers to these questions:

[Sarva] A chief consideration that requires understanding: the law defines only the basic principles. It is a type of framework that requires further clarification in the form of a governmental decree, one that is in preparation at the present time. Based upon recommendations received from various enterprises, departments and public organizations, the government will establish quotas for goods and resources. It is still too early to state what will end up on this list.

The law touches upon the interests of both private individuals and entire enterprises. Aided by this law, we hope to be able to compose a clear picture on movement of the republic's resources. We must have this if we wish to be a completely cost accounting and independent republic.

In addition, each enterprise, institute, organization or private individual who ships goods from the ESSR or imports them into the republic (agricultural products, consumer goods, products of a production-technical nature and various types of work and services) is obligated to maintain accurate accounts on the importing and exporting of goods in both physical and monetary terms, regardless of whether or not the goods were imported or exported on the basis of a license. Goods which are transported between various structural sub-units of the same enterprise, if one of these structural elements is located outside the borders of the Estonian SSR, are also subject to registration. Each shipment of goods must be registered. However, quotas are assigned only for some of them, that is, licenses must be issued only for those goods for which quotas are established. The registration system will be defined by the government. The State Department for Statistics of the Estonian SSR establishes the report forms for the importing and exporting of goods.

[Baleva] Where can a license be obtained?

[Sarva] In the License Department, since this obviously will be its name. As yet, it is only in the formative stage. This department will issue lists of licensed goods to the banking institutions of Estonia. For these goods, the banks maintain separate accounts for operations carried out with other union republics. And once each month they present this data to the license department.

For goods brought in and shipped out in the manner of exports and imports, control over the observance of the

volumes of the appropriate licenses is exercised by the customs organs of the ESSR.

[Baleva] For the most part, everything you have stated applies to enterprises. What can you say regarding quotas for goods produced by private individuals?

[Sarva] This question is also still under review by the government. Without question, there will be no need to take out a license for goods which are being transported for the purpose of personal consumption. The quota will be the same for all. Thus the law restricts farmers and kolkhoz members who export meat, for example, to the Pskov or Novgorod markets. But at the same time, the government is under an obligation to undertake measures which will stimulate their labor. It is possible that a tractor or fertilizer will be sold to peasants at favorable prices. The chief purpose of the law is to saturate the domestic market. At the same time, the republic plans to organize horizontal contacts and direct agreements with other republics and regions of the country.

[Baleva] For what period of time is a quota established?

[Sarva] For one year or for several—depending upon the circumstances.

[Baleva] What documents must be presented in order to obtain a license?

[Sarva] Licenses for enterprises or private individuals will be issued on the basis of an appropriation application, to which is attached a receipt attesting to the payment of a duty fee of 50 rubles. The License Department can cancel a license that has been issued if the system established for its use is violated or if its further use can cause harm to the state's interests.

All information having to do with the establishment, implementing changes in or cancelling of quotas and also on the issuing of licenses will be published in the information bulletin of the ESSR Ministry of Economics.

Possible Solution To Enterprise Subordination Controversy

*904A0199B Novosibirsk EKONOMIKA I
ORGANIZATSIIA PROMYSHLENNOGO
PROIZVODSTVA in Russian No 1, Jan 90 pp 30-32*

[Article by V.K. Krugovoy, teacher in the Department of Economics at the Minsk Radio Engineering Institute and Candidate of Economic Sciences: "Wise Compromises"]

[Text] Baltic scientists, in proposing that all enterprises (with the exception of defense enterprises) be made subordinate to the republics, base their action upon the fact that the departments and the center cannot solve effectively the social problems concerned with the development of territories, while the soviets and the local organs of administration are solving them.

What will happen if we grant the soviets not just nominal (as is the case at the present time) but true administrative authority over the enterprises of a region? There will hardly be any substantial change. We can expect the authority over labor collectives by one bureaucratic group to be taken over by yet another group—moreover, by an even more professionally incompetent one. It is sufficient to recall the miserly salaries of workers attached to the ispolkoms [executive committees] of local soviets, salaries which corresponded to their skills and to take into account their constant monitoring of the party organs and the fear of initiative. If under these conditions the local organs of administration for a city or rayon issue licenses to enterprises for the right to work, with instructions as to the nature of their activities, then our sympathies lie with the Law Governing a State Enterprise. Moreover, the departments are attempting in every possible way to curtail it and even the local authorities are posing a threat to it.

What alternative can be proposed? First of all, we must put everything in its right place. It is not right for pies to be baked by a shoemaker. The local soviets must not undertake to provide operational planning or to administer the work of enterprises only on the basis that they are located on their territories or they are producing products that are being sold mainly to the local population. They must answer to the voters not for fulfillment or non-fulfillment of the plans for commodity turnover, passenger transport or for the production of consumer goods, but rather for the daily living conditions of the people—the development of public health, education, childrens' institutions, culture and environmental protection. It is in this area that subordination to local authorities is appropriate.

The conversion over to regional cost accounting and a revival of the authority of the soviets must be predicated not upon administrative subordination to them of particular production operations, but upon flexible policies for taxes, investments, norms and credits. With regard to industrial, construction and transport enterprises, a local soviet is obligated to appear as the customer for their products or as a creditor, owner or manager of certain material resources, but not as a "chief of chiefs" who undermines the action of the Law Governing a State Enterprise.

Housing and municipal services and the entire non-production sphere of operations must be developed in a complete manner using economic levers (favorable state orders and crediting, flexible regulation of lease payments and others). For example, a soviet should maintain and repair housing by issuing orders on a competitive basis and by paying for the services of cost accounting independent firms or cooperatives. Moreover, there will be no need for racking one's brains over how best to repair a worn-out thermal power network or to accelerate the repair of housing. This is the concern of an independent organization and this organization must devote thought to: acquiring profit or losing it and paying fines for emergency shut-downs in operations and

for low quality repair work. There is already initial experience in this area. For example, cooperatives in Moscow can service and repair housing facilities using apartment rental payments and they can even realize some profit from such work.

There are many who oppose such an approach and their arguments are rather weighty: the majority of organizations and enterprises in the sphere of services are unprofitable and if they are converted over to cost accounting they will simply go bankrupt. Yes and logistical support is far from ideal. All of this is quite true, as true as the fact that the conversion of industrial enterprises over to cost accounting is complicated by similar factors.

If unprofitable municipal transport is subsidized further (administrative expenditures constitute one third of the cost of shipments), it will never become profitable, since there is no incentive for reducing expenditures. The same can be said with regard to development of the trade network, public catering and domestic services. The local soviet for the issuing of licenses and for differentiating the payments for resources (land) and for leasing facilities will coordinate the placement of the appropriate points and ensure that they are located in those areas where needed.

Just as in the past, the central organs are striving, as much as possible, to achieve a concentration of resources and later, at their own discretion, to allocate them to the regions and branches. The regions themselves wish to handle the principal bulk of products produced on their territories. How can these positions be combined into a wise compromise?

The payments for the resources of a territory, the fines for harm inflicted upon the environment and income tax from the profits of enterprises must be added to the local budgets and rental payments—to the union budget. Thereafter, the local budgets carry out assignments to the budget of a higher soviet. These assignments are based upon specific programs for the development of basic science and upon all-union or republic (oblast) plans, as approved by the appropriate soviets. Some anonymous "overhead expenses" should be excluded and the specific programs and plans for the various levels and accordingly the withholdings from the territorial budgets at various levels must be known.

And what will the situation be for those territories where there are no large enterprises or a developed social and production infrastructure and where, at the same time, the social problems have become aggravated? In order to carry out plans which are beyond the capability of a small territory, for example the mastering of a mineral deposit, use can be made of investments from the budget of a higher territorial organ. But this will take place only if you can convincingly prove the advantage to be realized from such plans by neighboring territories or the country. If the appropriate and costly program produces results only for your territory, then nobody will object to

the use of credit. In short, a solution can always be found with the aid of economic and not administrative methods.

The advisability of such an approach and the composition of a particular staff will be decided not by the interested departments themselves, but by the Supreme Soviet or by the soviets at the respective levels. In such instances, fewer resources will be needed than is the case at the present time.

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Estonia-USSR Account Book Started

*18150131A Tallinn NOORTE HAAL in Estonian
30 Dec 89 p 1*

[Release: "The Press Bureau of the Estonian People's Front Announces"]

[Text] On December 29, the Estonian People's Front, the IME [Self-Managing Estonia] Problem Council and the Estonian Planning Committee started compiling the "Estonian and USSR Account Book" that would contain analyses, calculations, evaluations and back-up materials regarding economic and political relations between Estonia and the Soviet Union from the 1920's to the 1980's. These materials would form a basis for negotiations to be held with the USSR regarding Estonia's statehood, based on the principles inherent in the resolution of the USSR congress of deputies passed on 24 December, 1989 regarding "The political and legal evaluation of the Soviet-German non-aggression pact of 1939" and the Estonian SSR Supreme Soviet's resolution on evaluating the events of 1940.

Under the leadership of recognized scientists and well-known personalities, task forces were formed to come up with research materials along the following lines:

- 1) Development of Estonia (economic potential and standard of living), as compared to adjacent regions (Russian Federation, Scandinavia etc.) for the years of 1920, 1940, 1960 and 1989.
- 2) The absence of economic and social factors that could have led up to a revolutionary situation in 1940.
- 3) Analysis of the 1920 peace treaty between Estonia and the Russian Federation, and of the economic negotiations accompanying it; the course of compliance, analysis of other agreements made between 1920 and 1939.
- 4) The [military] base agreement of 1939, and its course of compliance.
- 5) The November, 1940 price reform, and its-economic consequences.
- 6) The forced expropriation of holdings, and their subsequent turning over to the Soviet Union in 1940 and 1941. Activity of the Executive Committee of Nationalization. Description of properties taken over.

7) World War II war damages in Estonia, and Estonia's share of reparations paid to the Soviet Union.

8) Seizing of the Estonian SSR territory (beyond Narva and part of the Petseri region), and the unilateral changes made in the state boundaries.

9) Balance calculations regarding distribution of the national profit between Estonia and the Soviet Union. Analysis of property relations. The transfer of national profit through price and taxation policies. Estonia's share in investments made in other Union republics.

10) Analysis of the over-industrialization policy, its effect on the population processes and the social condition.

11) Breaking down the economic structure of an independent state, creating economic dependence.

12) Destruction of farms, forced collectivization of agriculture and over-forced production.

13) Destruction of people, deportations, and cases of people forced to leave Estonia. Resulting decline in the socio-economic potential and the quality of the population.

14) A violent disruption in the continuity of independent statehood, question of the legitimacy of power since 1940.

15) Economic and legal arrangements with Estonia for land and other property at the disposal of the Soviet army.

16) The mechanics of arriving at the current demographic situation. Effects of same on the Estonian nation.

17) The condition of resources of the Estonian Republic (gold reserves, among them) in other countries.

18) Stepping up of state Russification policy in the late 70's and early 80's.

Task forces were also formed for setting up organizational channels for gathering memoirs, conducting sociological research, and for involving Estonians abroad in the preparation of the account book.

Latvian Ministry of Economics Created

*90P50003A Riga SOVETSKAYA LATVIYA in Russian
4 Apr 90 p 1*

[LATINFORM report: "Economic Chronicle"]

[Text] The Council of Ministers of the Latvian SSR has passed a decree which until further notice delineates some of the rights and functions of the republic's recently created Ministry of Economics. The decree notes in part that orders, instructions and directions issued by the Ministry are binding for all the republic's ministries and departments as well as for associations, enterprises, organizations, and institutes regardless of

their departmental subordination. The ministry's top consultative body is the Economic Council; the minister will bear personal responsibility for all its decisions.

The Scientific Research Institute for Planning, the Latvian Scientific Research Institute for Scientific and Technical Information and Technical Economic Research, the Scientific Technical Library of the Latvian SSR, and the republic's Center for Employment, Training and Career Counseling will be subordinated to the Ministry of Economics.

Interrepublic Trade Figures Show Ukraine Is Net Importer

904A0306A Kiev *PRAVDA UKRAINY* in Russian
17 Mar 90 p 4

[Article by I. Ivanchenko, deputy chairman of the Ukrainian SSR State Committee for Statistics: "Who Feeds Whom: Several Figures Characterizing UkSSR Trade with Other Republics"]

[Text] Today, questions about the mutual benefit of established interrepublic economic ties are increasingly becoming the topic of discussion in the republic. There are all kinds of opinions about "who feeds whom."

But how do matters actually stand? Only an in-depth analysis of imports and exports can answer this question. I would like to offer the reader some statistical data on this trade. I will note that such figures are being published for the first time. Since the report for 1989 has not yet been summarized and systematized, we will examine the issue using 1988 as an example.

The total annual volume of imports and exports for the Ukrainian SSR then reached 96.8 billion rubles, which is approximately one-third of the gross social product produced for the republic and is 3.1 billion rubles higher than it was in 1987. Trade with union republics accounts for 79 percent of the trade, and foreign trade accounts for 21 percent. In 1988, the Ukraine imported 49.86 billion rubles' worth of products and exported only 46.94 billion rubles' worth.

The republic's internal production supplied only 82 percent of the needs of the economy and population of the Ukrainian SSR (this figure was 86 percent for the RSFSR, 74 percent for Belorussia, and 71-73 percent for the Baltic republics). It turns out that our republic today cannot withdraw just to its own economy and cannot get by without the established contacts with other union republics.

True, we almost fully supply our needs for electrical power, coal, cement, sugar, meat and dairy products, bakery goods, pasta, and many other items through our own resources. What is more, we hold a monopoly in the country for individual types of products produced. For example, we produce a considerable portion of the main-line diesel locomotives, and the entire output of corn combines is concentrated here. But we also depend

heavily on enterprises of other union republics, in particular, for supplying electrical equipment, heavy-duty motors, and radio products from Altay Kray, Orenburg Oblast, Kaluga, Bryansk, and Vladimir.

Our republic makes up the shortfall in material, raw material, and commodity resources for normal functioning of the economy and for meeting the population's needs in exchange for exporting one-sixth of the total social product produced. Imports account for all the resources of rubber consumed; 60-80 percent of the needs for oil, ferrous metals, machine tools and instruments, motor vehicles, manmade fibers and thread, and perfumes and cosmetics; and 40-50 percent of the needs for lumber, pulp and paper products, textile products, medical products, and electrical and cable products.

For interrepublic trade (not counting [foreign] export-import operations), the Ukrainian SSR exports 40.06 billion rubles' worth of products, and imports 36.43 billion rubles' worth from other republics. These figures indicate that, in observing the principle of cost-accounting retribution in economic cooperation, the Ukrainian SSR can receive 3.6 billion rubles' worth of products more than we are presently receiving. Without a doubt, such an addition would noticeably improve the situation in the consumer market, too.

However, it is no simple matter to obtain it, and here is why. The Ukraine, alas, has a "minus" in export-import operations. We now consume 13.43 billion rubles' worth of products from abroad and export only 6.88 billion rubles' worth.

So, it turns out that in "gaining" 3.6 billion rubles in interrepublic trade, we are losing 6.5 billion Soviet rubles in foreign trade turnover. And the USSR covers this "discrepancy"...

It is often claimed that the main and almost sole reason for the unequal interrepublic trade is the shortcomings in price formation. Yes, our prices undoubtedly are far from perfect. But calculations show that the republic's trade balance would practically not change even in conditions of world market prices. The currency indebtedness to other countries would be reduced, and the dependence on union republics would increase by roughly the same amount. The Ukraine would continue to remain an importer republic with a negative trade balance of 2.9 billion rubles.

The conclusion from this is obvious. The republic's economy must function considerably more efficiently than before. The negative trade balance is intolerable in any situation of the Ukraine in the union state.

The main measures for improving the import-export balance could include increasing foreign exports of products, whose prices on the world market are higher than on the domestic market (ferrous metals, machine building products), and reducing exports of light industry and food industry products, whose world prices

are lower than domestic prices. As a result of this, imports of consumer goods could be increased.

It is apparent from the data cited that, despite certain tension, normal functioning of the republic in conditions of economic independence can become a reality. But it

will require the additional efforts of all workers to increase production volume, renew product mix, improve product quality, and also structurally reorganize the economy. Only this will make it possible to substantially improve the economy and raise the population's standard of living.

**AGRO-ECONOMICS, POLICY,
ORGANIZATION****Officials, Peasants Comment on Land Question****Government Officials' Remarks**

904B0182A Moscow SOYUZ in Russian No 10,
5-11 Mar 90 pp 12-13

[Comments by government officials]

[Text]

A.A. Nikonor, peoples' deputy of the USSR:

We understand that a society cannot be healthy in physical and moral terms if the land is sick, if it is depersonalized...today the most painful point is that of land relations.... Our country and Mongolia are the only two countries in the world where the land has been completely nationalized.

V.F. Yakovlev, USSR minister of justice:

I would also like to direct your attention to the fact that the basic positions of the draft law probably rather successfully reproduce the Decree on Land of the Leninist period.... The draft law...returns to the initial positions of the revolution.

I.N. Shundeyev, peoples' deputy of the USSR:

How can one live comfortably and continue to defend the inviolability of the kolkhoz system and its monopoly over the land when the country is experiencing the most acute shortage of food products! The state order smothered the initiative of millions of minds....

V.V. Kasyan, member of the USSR Supreme Soviet:

It is necessary to legalize the issue of garden plots to city dwellers. Allot no less than 15 hundredths and even without limitations, not 100 kilometers away on worthless lands, in the mountains or in flood areas but closer to the city limits and issue the best land from plowed areas. Everything that is grown remains with our workers.

M.T. Mukhametzyanov, member of the USSR Supreme Soviet:

The peasant was and, if he is allowed, will be the best economist in life. It is obvious that if a peasant invests his labor in the land and does not receive the proper yield and there are not sufficient resources to pay land and other taxes, he will not hold on to the land.... We must become imbued with the idea of a diversity of structures.

V.M. Yetylen, member of the USSR Supreme Soviet:

The peoples of the north won the right to own the land—yes, precisely so, they won it—not from other peoples but in a struggle with nature and the northern element and extreme conditions over many centuries

and they stayed there to live. This is their land. But the reality is such that the land today has become alienated from its owners.

I.M. Ivchenko, member of the USSR Supreme Soviet:

The farmer that they show on television who stands there leaning on a pitchfork or shovel cannot feed the country with a pitchfork and shovel. It is necessary to develop a start-up mechanism for this law; let it work, making possible the development of market relations as well as centralized relations.

Personal Interest Factor

904B0182B Moscow SELSKAYA ZHIZN in Russian
5 Jan 90 p 1

[Article by S. Shilenok, agricultural aviation pilot, under "About the Land" rubric: "Because They Are Owners"]

[Text] Pinsk, Brest Oblast—Everyone is arguing about whether or not to give land to the peasants. Many are looking for the answer abroad. But we have enough experience of our own, if we take a closer look at it. Take the minor matter of amateur horticulturists and summer residents. As a rule, they were given worthless lands, poor unproductive areas, clay and sand. And who took it? City dwellers and workers, that is, people who are not farmers. And look what they did with this land. The unproductive lands were transformed into flourishing, rich and fertile lands, although they worked on them mostly on days off and in the evenings. And the harvests they are getting! It would seem that they have no knowledge and no equipment and they have to scramble for everything—seed, fertilizer and everything else has to be procured somewhere. But they regenerated the land! Because they are Owners.

If it were up to me, I would propose that city dwellers who are being pensioned be given the opportunity to work on the land and possibly even to live in a rural area. All of this, of course, would be in accordance with their personal wishes.

Follow-Up Letter

904B0182C Moscow SELSKAYA ZHIZN in Russian
24 Mar 90 p 1

[Article by L. Flegontova: "About the Land" (5 January)]

[Text] There is an owner living within each of us. Who among us will miss an opportunity to pick up something that does not lie right? Or to travel at the expense of the state in a literal as well as figurative sense? We have become accustomed just to demand and receive from the state, but what have we ourselves given to it without compensation? It is necessary to utilize every scrap of land: get to work and at least provide food for our own families. Instead of complaining, dig in the earth, for it is very generous. I experienced this last summer, when I was pensioned. I bought a vacant house in the village and

proceeded from words to action. What a pleasure it is to grow something with your own hands!

Clear Answer Needed

904B0182D Moscow SELSKAYA ZHIZN in Russian
25 Jan 90 p 1

[Letter from K. Anokhin, Yel'tsovka, Altayskiy Kray, under "About the Land" rubric: "Say It Loud and Clear"]

[Text] The number one question today is whether or not to give land to the peasant. In discussing this, I will present two facts. There are 15,000 public head of cattle here in Yel'tsovskiy Rayon of Altayskiy Kray. Every year 2,000 to 2,300 of them perish, that is, about 13 to 15 percent, whereas only about 3 to 5 percent perish on a private farmstead. The question is why. Because for these private cattle there is no rayon or sovkhoz leadership but just a simple peasant. In the case of the public cattle, on the other hand, there is a raykom, a rayispolkom and sovkhoz authorities. Nevertheless, they do not belong to anyone and so they perish. And let us consider why not only no one loses his head because of this but does not even get a headache. Why are their salaries not reduced? I think about this and still I cannot understand.

Let us take the second fact. I am an amateur beekeeper. There are many of us. But there are also sovkhoz beehives. They provide an average of 13 kg of commercial honey per hive, whereas the amateur beehive yields 30 kg. Why is this? Again, it is because one belongs to no one and the other has an owner. And from these two facts I draw this conclusion: as long as we have "management by no one" we cannot resolve the food problem. There is only one way out of this—return the land to the peasant. There is no other way. But the land should not be issued as proposed by D. Motornyy in his speech at the session (article "Will They Give the Land" in SELSKAYA ZHIZN)—abandoned or swampy land. What use is such land to the peasant? As for me, for example, I could never understand this. It must be given as proposed by people's deputy I. Ivchenko: the land should be given to a person where he lives, where he was born and works. Here he is in his element!

Now about those who should allocate it. I think that this must be done by the rural council and people's deputies, whereby it is possible to coordinate this with the kolkhoz or sovkhoz, but they should not be given everything on lease. I am not in favor of them being driven away. Let them be. But I think that they must finally be deprived of state subsidies. This will not hinder the strong, and the weak will decline by themselves. Their lands can be given to the peasants. What is significant here is that very early the children will get used to farm work. And I think that this is the finest and most wonderful work, although it is, of course, not easy. But this is just what they need so that they can grow up to be whole people.

And here the question is what is needed so that this form of ownership will become a reality and the people will believe that no one will change it again?

The answer is that we need a good Law on Ownership and not half-measures. Precisely such a clear and resolute law is what they are waiting for in the rural areas, so that no bureaucrat can distort a single letter of the law at his own discretion and to his own advantage. And if that happens, the peasant will show him the law and say, look what is written here and carry it out, for it is the law of the nation. Then that bureaucrat will have to get his soft white hands off the peasant's back and get to work. I ask you to print my letter. Let the peasants and workers consider my position.

True Masters Needed

904B0182E Moscow SELSKAYA ZHIZN in Russian
24 Feb 90 p 1

[Letter from V. Grigorov, village of Shchitki in Vinnitsa Oblast: "Say It Loud and Clear" (25 January)]

[Text] I myself am from the village of Shchitki and I worked at different jobs in agriculture, mostly in livestock breeding. I have a private plot of 0.3 hectares. We have no unused land. But if they give me more land under the present conditions, I will not be able to cultivate it. The only farm implements that I have are a shovel, a pitchfork and a rake.

The question of how to return the owner to the land is very complex. I personally think that everything must be done reasonably and gradually. The kolkhozes and sovkhozes should be given complete independence. A good kolkhoz worker will keep his private plot completely in order and will have a decent wage on the farm. He is not much interested in a parcel of land. But there is another category of people who want to live well and do the work that they are obliged to do. Lessees fattening livestock using someone else's fodder rather than their own are paid workers but in no case are they owners of the land.

Several Answers Possible

904B0182F Moscow SELSKAYA ZHIZN in Russian
24 Feb 90 p 1

[Letter from G. Dergachev, Kamen-na-Obi, Altayskiy Oblast: "We Discuss Draft Laws" (25 January)]

[Text] Uneducated peasants without scientific knowledge write, and how intelligent is their reasoning! I support them in full. It is necessary to legalize all forms of agriculture: let them compete among themselves. Life itself will show through natural selection how and what is best.

REGIONAL DEVELOPMENT

Agricultural Reform, Farmstead Progress in Estonia

Rural Union Established

904B0175A Minsk SELSKAYA GAZETA in Russian
13 Jan 90 p 1

[TASS article: "Rural Union"]

[Text] Tallinn, 12 Jan—A union for the agricultural industry has been established in Estonia. It brought together state and cooperative farms, industrial artels, cooperatives and owners of farmsteads on a voluntary basis.

It was primarily those farms that have traditionally been involved in auxiliary and subsidiary production that joined it. Many farmers built their own canning plants, confectionery shops and shops for woodworking and the production of building materials and several issue electronic equipment.

Republic Farmstead Funding Support

904B0175B Moscow SELSKAYA ZHIZN in Russian
16 Feb 90 p 1

[TASS article: "Estonian Farmstead Fund"]

[Text] Tallinn, 15 Jan—The farmstead owner Yaak Kaalmaa from the village of Saku in the Kharyuskiy district of Estonia intended to renovate an old farm and provide it with up-to-date equipment. This required a project, machinery and considerable resources. He appealed through the local farmers' union to the council of the republic farmstead fund established under the central union of farmers of Estonia and was given the necessary technical and financial help.

The republic farmstead fund provided support for many of the first thousand individual peasant farms that are now producing milk, meat, potatoes and other food products. The government made the first large contribution last year, when it transferred 2 million rubles. Sums are also coming in from enterprises, organizations and private persons.

Under the statute of the fund, its council puts significant sums into the training of peasants, the organization of instruction and scientific research, exhibitions and the issue of special literature. About 300,000 rubles were allocated last year for the improvement of peasant lands and the planning and construction of wells, roads and electric transmission lines. A large share of the resources of the fund were made available to the rayon unions of farmers, through whose intercession the peasants were able to open credit for their operational needs. They helped not only Ya. Kaalmaa but also dozens of people needing financial support.

Farmstead Status, Prospects

904B0175C Tallinn SOVETSKAYA ESTONIYA
in Russian 15 Feb 90 p 1

[Article by L. Rannamets: "The Estonian Farmstead: Current Situation and Prospects"]

[Text] ETA—At the press conference of Prime Minister I. Toome, Minister of Agriculture A. Vyali, A. Tamm, chairman of the Central Union of Estonian Farmers, and R. Nyumann, advisor to the Government of Estonia on agricultural matters under the Council of Ministers, held 13 February in the White Hall of Estonian Radio, last year was also called the "year of the farmsteads." As of 1 January, 1,053 farmsteads had been restored in all rayons of the republic.

What is a farmstead today?

On the whole, it is not large, the average area being only 25.3 hectares. Altogether 26,616 hectares have been allocated to farmsteads, which is just 1.06 percent of the land belonging to agricultural enterprises. The average farmstead has 2.4 milch cows, which, in turn, give more than 5,000 kg of milk a year. The harvests of grain crops, potatoes, hay, root and other crops did not differ significantly from the results of large-scale farms last year. In the opinion of A. Vyali, the optimum farmstead under our conditions has 60 hectares of cultivated land. As yet there are few such farmsteads, which is explainable: the necessary farm machinery is lacking. With difficulty it is possible to provide about 500 farmsteads and no more with the necessary equipment. A big help is the used equipment of our northern neighbors—Finnish and Swedish farmers. This spring they will deliver about 2,000 units. The farmers experienced particular difficulties with the mechanization of the farms, with refrigeration equipment for milk, and with minitractors, building materials and other necessary items.

The Law on Farmsteads passed last year is working, noted I. Toome. He reported that this year the government will allocate 2 million rubles to the farmstead fund and about 5 million rubles for capital construction in connection with land reclamation. To establish the so-called settlement farmsteads, another 13 million rubles need to be allocated from the state budget, with as much as 5 million rubles as initial capital for the Estonian Farmstead Bank. Settlement farmsteads are understood to be those organized by the state and sold on the installment plan to interested persons. The government is looking for the means to establish an infrastructure, seeing agriculture not only as a production branch, as was previously the case, but also as an environment for human habitation.

The prime minister said that the declaration of agriculture as a priority branch of production is more propagandistic in nature: all branches should be developed comprehensively. But the government wants to provide economic help and support to agriculture in the coming years. The farmsteads are exempt from taxation in the

first 5 years. It is planned to review wholesale and purchase prices for agricultural output so as to guarantee farmers a fair income for the work done.

A. Tamm thinks that the area of production farmsteads must be 80 to 100 hectares of cultivated land. Otherwise, in his opinion, it is more advantageous to be a farm hand in Finland than a farmer in Estonia. The farmsteads must be integrated among themselves and with large-scale production as well as with the small agricultural processing enterprises being established in the villages. The opposing of kolkhozes and farmsteads is not very promising. The general objective is the smooth transition from one economic form to another and a multiplicity of forms of ownership. What will become of the thousands of agricultural specialists if the farmsteads become dominant? Not all will become consultants and not everyone will be able to establish an exemplary farmstead. There are still many unresolved questions.

Also attending the press conference were representatives of the Kharyumaaskiy Union of Farmers, who related their problems to journalists.

Agrarian Policy Commission Deliberations

904B0175D Tallinn SOVETSKAYA ESTONIYA in Russian 8 Mar 90 p 1

[Article: "In the Commission of the Estonian Communist Party Central Committee on Agrarian Policy"]

[Text]

At the working meeting of the commission on 5 March, in which experts from the Land Council and representatives of other departments took part, they discussed the work of the communists of the Estonian SSR Ministry of Agriculture and of the Morskoy Raykom of the Estonian Communist Party in involving industrial enterprises in the technical provision of agriculture. Commission chairman A. Vyali conducted the working meeting.

It became apparent from the reports of First Secretary of the Morskoy Raykom of the Estonian Communist Party A. Gusev and Deputy Minister of Agriculture A. Laansalu that both sides tried to cooperate in resolving the problems under consideration. In 1989, union and local industrial enterprises sold to Estonian agriculture 2.7 million rubles' worth of machine building output, whereby most of it was manufactured by the Dvigatel and Metallist plants. As a matter of fact, however, this sum is only a miserable part, just 1.1 percent, of the output of machine building delivered to agriculture in the course of a year. The depreciation of the existing agricultural machinery, the command method flourishing in the economy, and the negligible deliveries and poor quality of farm machinery that results from the monopoly of their producers force one to seek local solutions actively. It was noted at the meeting that the industrial enterprises of the republic, taking into account their potential possibilities, could produce considerably

more machinery and equipment for the needs of agriculture, including for farmers. The situation is paradoxical, in that whereas in the last 50 years the volume of industrial output in the republic has multiplied by tens of times, there has been practically no increase in the output of machinery for agriculture. In livestock breeding, because of the shortage of mixed feed, we are forced to orient ourselves toward the production of cattle and, for the same reason, toward the cultivation of pastures and the production of hay. The greatest weakness, however, is the material base for the production of precisely grass fodder. Consequently, questions in the technical equipment of agriculture should be raised to the level of state policy. In this area, we also need close cooperation with the neighboring republics of Latvia and Lithuania.

Under the conditions of the IME [Self-Managing Estonia], provision must also be made to ensure the interest of industrial enterprises in the production of machinery, equipment and technical units for agriculture. These enterprises could obtain credit under favorable conditions and subsidies for the production of machinery and equipment for agriculture on an experimental basis.

The commission proposed that the government of the republic establish the corresponding innovation fund and that it immediately take a number of steps for the partial reorganization of the republic's machine building for the production of agricultural equipment. The commission considers it advisable that the government establish a suitable working commission for the resolution of all these questions.

A draft Law of the Estonian SSR on Land was also examined. The commission came to the conclusion that the draft law needs additional work before it is presented for national discussion.

Importance of Farmstead Support

904B0175E Tallinn SOVETSKAYA ESTONIYA in Russian 6 Mar 90 p 1

[Article by Ya. Leetsar, candidate of economic sciences, under "Pulse of the Village" rubric: "If the Countryside Is Alive..."]

The agriculture of our huge country is in a depressing state. For two decades now we have not been able to feed our own people. Whereas the first purchases of grain for gold and oil could be explained and justified through unfavorable weather conditions, we perceive the current importation of grain and food as a matter of course, even an everyday matter. Estonia's agriculture is not in the best condition either. We obtain almost one-third of our agricultural output at the expense of imported concentrated feed. That is, we greatly depend upon whether or not we receive it. And we receive less and less every quarter.

The troubles of all of our agriculture (including in Estonia) were caused by the fact that as a result of the forced collectivization and subsequent industrialization the peasant was alienated from his land, means of production and product of labor and essentially became a hired worker. With the passage of the years, agriculture—an energy-producing branch, so to speak—became an energy-consuming branch analogous to industry. We are now forced to put more energy (concentrated feed, fuel, fertilizer, electricity, equipment, materials, etc.) into agriculture than the milk, meat, vegetables, etc., that we get from it in return.

Everywhere else in the world, the picture is the opposite: the existing system of farmsteads, farming, cooperation of people in free initiative and market relations has fully justified itself. And there is nothing surprising in the fact that more and more often there is talk about it being time for us here in Estonia to restore the principles of agricultural production that preceded the forced collectivization, that is, farmsteads. Of course much has changed during this time. The agricultural branch of the entire world is characterized by progress in science and technology and the appearance of new technologies, machinery, varieties and fertilizers. It is necessary to take this into account when restoring the farmsteads and introducing new forms of enterprise.

At the same time, it is quite inappropriate, as people often do here, to contrast the cities with the countryside. It cannot be asserted that the cities always received more resources than the countryside. Such comparisons give rise to animosity that is useless for both sides. At the same time, I am certain that the help from the cities to the newly arising farmsteads (and we already have more than a thousand of them and their number increases every day) must be more effective. The managers and workers of enterprises, plants and factories must know exactly what a new farmer needs today. For this reason, I want to share some ideas on how things could be organized and how permanent business relations and ties can be established between the peasant and the urban dweller.

In the first place, it seems to me that it is necessary to do everything possible to develop sponsorship. In an ordinary sense, it means that a specific plant, factory or institute use its own resources (money, manpower, equipment) to help specific peasants establish farmsteads provided with good equipment and the means of production. I know that many plants and factories have already begun to do this (Tallinn plant for music cassettes, "Talleks" and others).

Such sponsorship has many good sides with respect to city dwellers as well. In our unsatisfied time, the farmsteads will be able to deliver good-quality milk, meat, potatoes, vegetables and other agricultural products directly to plant dining rooms without the mediation of trade organizations. To some extent, the farmsteads will become the benefactors of city dwellers, that is, they will be able to perform the role that was forced upon the

inefficient subsidiary plots established under the enterprises. It may be that it is more beneficial to transfer those of them that are still in operation to farmers to lease them.

Sponsorship has still another good side. Since the enterprises have direct contact with agriculture through their farmers, this will help determine in a rather short time exactly what the countryside needs. The cities will have real information about precisely what can be done for the countryside. In the case at hand, the farmsteads are, in a manner of speaking, a proving ground where the enterprises can test commodities (inventory, equipment, machinery, building materials, etc.) produced for themselves and develop their series production. In essence, this will be new production relations between city dwellers and peasants, excluding administrative-command controls and bureaucracy. I think that with the development of farming in other regions of the USSR as well, a market will appear that requires qualitatively new agricultural technology. It is possible that in the future this will even dictate the reorganization of entire enterprises and the successful development of auxiliary production systems.

From the first moment of their establishment, the farmsteads need a range of building materials, tractors, lifts, cables, conduit, etc.—not everything can be enumerated. Even production wastes will be utilized. Every enterprise, plant and construction organization could take careful inventory a couple of times a year in its territory, shops and warehouses so that they could sell accumulated surpluses to their farmers at advantageous prices. Market traditions should not be neglected. If farmers know that on a certain day a vehicle from the city will arrive at the rayon center with equipment and machinery for sale, then I am certain that they will await such a market day with impatience.

The farmers also need the help of all construction organizations. The Elamy Association must find possibilities to assemble one and two-story dwelling houses, farm sections, manure depositories and other structures for farmsteads on the basis of large-panel components. For small mobile brigades are capable of putting up more than one such structure in a week. Following the example of their Tartu colleagues, other construction enterprises could sell their output and building structures (including rejects) to farmsteads at reduced prices. Service stations could also show initiative by organizing the delivery of the output of plants and factories to rural customers.

It is also necessary to bear in mind that for Estonians the farmsteads were never simply suppliers of food. This was a national way of life, and diligent and well-educated young people with high moral principles grew up here. The influence of the farmsteads also extended to the cities. And it is very good that now, 40 years later, we have the opportunity to restore the farmsteads.

I would like to conclude with the words of the author of antiquity Xenophon: "If the countryside lives, the arts

live. If the countryside remains in a state of neglect for any reason at all, all other affairs on the land and on the seas are doomed to failure."

Contacts with farmers can be established through the Central Union of Farmers (Khary7uskiy Rayon, Saku, ul. Ayandi, 2, Tel. 721-954).

MAJOR CROP PROGRESS, WEATHER REPORTS

Machinery Status Impacts on Spring Campaign

Equipment Not Ready for Spring Sowing

904B0191A Moscow *PRAVDA* in Russian 20 Mar 90
First Edition p 1

[Article by I. Totkiy: "Anxieties of the Spring Field"]

[Text] The first seeders had hardly gone out to the fields and the first seeds had barely been put in the soil when inquiring lines appeared in our readers' letters: Have farmers prepared themselves well for the spring? How are they managing the sowing campaign? This interest is not accidental, because, in the poet's words, "the furrow under the vernal sky has the characteristic of turning into bread." It is extremely important for all of us—both rural and city dwellers—that the country becomes richer in bread in the fall.

Beginning in spring the farmer nurtures the hope for a high harvest. If, of course... How many of these "ifs" lie in wait for him on the long road from sowing to harvesting! Probably, they cannot be counted. However, one "if" depends on him completely—organization, skill, and the ability to withstand the whims of the weather.

How are they manifested in the grain grower's work? Let us take, for example, the readiness of machinery. The data of the USSR State Committee for Statistics indicate that machine operators in Belorussia, Azerbaijan, and Kazakhstan worked better than others during the winter season. There 91 or 92 per 100 tractors were ready to go out to the field by 1 March. At the same time, in Turkmenia, Tajikistan, and Moldavia only 87 or 88 percent of the tractors were in good working order and in Kaluga and Gorkiy oblasts and in the Kalmyk ASSR, 84 or 85 percent. A large number of plows, cultivators, and machines for fertilizer application were idle, waiting for repairs.

Having familiarized themselves with these figures, to be sure, many people will think: Machine operators have become lazy if during the entire winter they did not manage to repair the machinery and left part of it out of order. Is the reproach just? Yes, it hits careless people on the mark and offends industrious ones. No matter how one may try, they complain, machines remain in shops. The reason is very old: Suppliers let them down—they do not provide farms with spare parts in good time. In turn suppliers have grievances against machine builders. And the latter, against subcontractors.

For example, new tractors are waiting in a rural area. However, thousands of machines are without motors. Where have they disappeared to? They stand, not fully fitted out, at the Kharkov Serp i Molot Association. There are no fuel pumps, crankcases, or turbocompressors for them. The Kharkov Tractor Plant, the Borisov Machine Unit Plant, the Kupyansk Casting Plant, the Dergachevskiy Turbocompressor Plant, and a number of other enterprises do not see to it that these units and other parts are delivered promptly. All of them are subordinate to the Ministry of Automotive and Agricultural Machine Building and it is completely not understandable why the latter is indifferent to the lack of conscientiousness on the part of suppliers.

Tractors idling in shops are also a silent reproach against machine builders and mechanics. They are waiting for repairs. Statistics confirm: On the country's farms by March 1 there were more than 300,000 of them. When are they to be repaired if spring, enjoying full rights, is already marching on fields?

"We don't know whom to ask for help, to whom to bow," Zh. Utorbayev, a lessor from the Tungush Settlement in Burlinskiy Rayon, Ural Oblast, bitterly reports in a letter. "In no way can we put three powerful 'Kirovets' on their feet. Since last December one has been in the city of Aksay for repairs, we have sent another to a repair plant, but we don't know when we will get it back, and there are no batteries for the third. With such a system of repairs and supply of spare parts leasing will choke and the country will get no benefit from it. Don't suppliers, repair workers, and machine builders understand this? It is time to put an end to the deficiency of spare parts, shortage of fuel, and long idling of machinery in shops. We have been talking about this for years, but nothing has changed."

Who is guilty of this? Rural machine operators mention specific addresses: The Ministry of Automotive and Agricultural Machine Building, the State Committee for Material and Technical Supply, the State Committee for the Supply of Petroleum Products, and republic agricultural supply administrations. And they not only mention them, but demand efficient and well-coordinated work from them, which would help farmers to grow a high harvest and to finally get rid of the food shortage.

Equipment, Spare Parts Status Reported

904B0181B Moscow *SELSKAYA ZHIZN* in Russian
6 Apr 90 p 1

[Article by Nikolay Osychkin: "Spring of Hopes and Concerns"]

[Excerpt]

[Passage omitted]

Success on the spring field will depend to a large extent on the state of equipment. Now its level of readiness is slightly higher than during last year. In Altay virtually all tractors and soil cultivating and sowing machines have

been repaired. Owing to the efficient work of cost-accounting machine yards, the entire pool of machines in Yegorlykskiy, Tselinskiy, and Azovskiy rayons in Rostov Oblast has been put in order in good time. All of them now operate reliably, without idling, on the spring field. At the same time, some difficulties with the restoration of equipment have been created in a number of places. For example, the shipment of spare parts to Vinnitsa and Kirovograd oblasts has been delayed, owing to which part of the machines cannot go out to the furrow. A lag in combine repairs has also been tolerated here. Khmelnitskiy and Simferopol Agromash plants have disrupted the schedules for the restoration of important tractor units. The Odessa Piston Ring Plant and the Kuybyshev Motor Tractor Equipment Plant have also let Ukrainian machine operators down.

These are not isolated examples. The Volgograd Tractor Plant owes rural areas thousands of its machines and spare parts for them. Belinskelsmash does not ship seeders, which farmers need so much now, and the Orenburg Radiator Plant, radiators. Many agricultural machine building enterprises, having concluded contracts for the delivery of machines to agriculture, disrupt their fulfillment. The notorious principle "you for me and I for you"—that is, some managers demand from peasants agricultural products in exchange for the sale of equipment and spare parts—is beginning to play a disastrous role in this. As a result, there are cases where kolkhoz managers ship products in kind to an enterprise, ignoring the fulfillment of the state order. All this occurs owing to the breach of state discipline by suppliers, who, having raised the prices of equipment, fertilizers, and spare parts, have also begun to extort payment in kind from them. Is this legitimate at the present crucial stage in perestroika? It seems that it is not. Such actions lead to a destruction of planning and contractual relations between urban and rural areas and to a reduction in output.

Now, when an active rise in temperature has begun and the mass sowing season has arrived earlier than usually, it is important to give the "green light" to equipment, fertilizers, spare parts, and fuel for kolkhozes and sovkhozes so that the latter may use them in the course of field work. Constructive business-like actions by industrial and agricultural workers must be counterposed to deals and discords in supply for rural areas in order not to lose time, to carry out the sowing campaign in the shortest time, and to establish a reliable basis for the harvest.

The work of many farm collectives and lessees, who, taking into consideration the complex characteristics of this spring, are implementing a set of agrotechnical measures aimed at retaining moisture in the soil and shortening the time and improving the quality of sowing, deserves support in this respect. This is precisely how the Nikopol'skiy Agricultural Combine in Dnepropetrovsk Oblast, the Za Kommunizm Kolkhoz in Orel Oblast, and Novoaleksandrovskiy Rayon in Stavropol Kray act.

They do not miss a single hour of the harvesting campaign and carry out all spring operations in a high-quality manner and with due regard for existing weather characteristics. This is precisely how many farms in Nikolayev and Kherson oblasts have acted. Taking into consideration the arid conditions this spring and the shortage of moisture in the soil, they have put irrigation systems into operation. Sprinklers have already begun watering winter wheat plots and fields intended for the cultivation of corn and vegetables.

Such a proprietary and business-like approach to the establishment of the basis for the new harvest is characteristic of most kolkhozes and sovkhozes. Against this background, how alarming the signals about different kinds of shortcomings and miscalculations in the sowing campaign from localities are! From Krasnodar there are reports on interruptions in the delivery of diesel fuel, owing to which tractor units are idle in a number of rayons. A number of Odessa farms now have half-empty capacities of fuels and lubricants, which also hampers the performance of spring field operations. Our newspaper sounded the alarm about miscalculations in the supply of fuel for tractors and motor vehicles for farms as far back as during last year's harvest. Spring has come and again there are fuel impasses. Is it not time for the USSR State Committee for Material and Technical Supply to introduce firm order in this matter?

This spring is special in all respects. This is the spring of big hopes and anxieties. Those who will manifest high discipline and organization and will ensure the strictest observance of the entire set of agricultural practices and technology on every field will win in the active campaign for the harvest of the last year of the five-year plan.

POST-PROCUREMENT PROCESSING

Market Round-up: Early 1990 Produce Prices

Mid-February Report

904B0184A Moscow SELSKAYA ZHIZN in Russian
15 Feb 90 p 3

[Article by L. Vashchukov: "The Market: What Costs What?"]

[Text] There is nothing with which to cheer up the reader. The food situation is tight and that means that prices are going up at the collective farm markets. During January of this year only two percent more food products were sold compared with January of last year. Prices at the collective farm markets during the same period increased by 13 percent. The figures are not comforting.

The most difficult period has arrived in vegetable farming. There are few vegetables available in stores and their quality is low. Whether you want to or not, you remember the way to the market where vegetables are fresh and a sight for sore eyes the year round. But the

prices! In January the prices on vegetables went up 16 percent in comparison with the same month last year. The increase in the price of fresh cabbage was especially noticeable, 19 percent, pickles 27 percent, pickled tomatoes and green onions 12 percent. Both onions and beets also became more expensive.

The average price throughout the country in January of fresh cabbage was 78 kopecks per kilogram. The sales clerks at the markets in Vladimir, Maloyaroslavets, Vologda, Petrozavodsk, Gatchina, Nalchik, Chelyabinsk, Ufa, Biysk, Novosibirsk, Irkutsk, Yerevan, Leninakan, Arkhangelsk, Orenburg, Sverdlovsk, Krasnoyarsk, Vladivostok and Spassk-Dalniy received one and a half to two rubles per kilogram.

Inexpensive cabbage, 15-30 kopecks per kilogram was available at the markets in Gadyach, Klaypeda, Staryy Oskol, Kuznetsk, Belovo, Sovetsk, Shepetovka, Krivoy Rog, Starobelsk and Tashauz. Muscovites and people in Leningrad were able to buy fresh cabbage for 1 ruble 58 kopecks and 1 ruble 42 kopecks respectively.

The average price of onions throughout the country was 71 kopecks per kilogram.

The highest price level, 2 rubles to 2 rubles 20 kopecks per kilogram, was present in the markets of the cities of Rzhev, Sharya, Alekxin, Kotlas, Volkov, Gatchina, Nizhniy Tagil, Kemerovo, Kansk, Irkutsk, Molodechno and Tbilisi. The sales clerks in Ivanovo, Kineshma, Novgorod, Kirov, Yoshkar-Ola, Tambov, Kuybyshev, Syzran, Grozny, Kurgan, Orenburg, Ufa, Barnaul, Ussuriysk, Khabarovsk, Kaliningrad, Sovetsk, Uzhgorod, Kaunas, Liyepaya, Tallinn, Tartu, Yerevan and Leninakan were asking 1 ruble 50 kopecks per kilogram for onions.

The average price of onions at markets in the capital during January was 1 ruble 82 kopecks, in Leningrad 1 ruble 31 kopecks.

The price for garlic fell by 14 percent in comparison with January 1989.

The average price in the country for garlic during January was 3 rubles 22 kopecks per kilogram.

Garlic was expensive, 6-9 rubles per kilogram, at the markets of Kaluga, Saratov, Kazan, Krasnovodsk, Gurev, Kustanay, Mozhaysk, Velikiye Luki, Nizhniy Tagil, Novgorod, Tambov, Tyumen and Pskov. But at the markets in Kuznetsk, Beloretsk, Kemerovo, Komsomolsk-on-the-Amur and in Kyzyl the price was 10-12 rubles per kilogram.

In January at markets in Moscow garlic was selling for 5 rubles 63 kopecks per kilogram and in Leningrad 7 rubles.

Prices for potatoes went down. In comparison with January 1989 the prices in January 1990 were 16 percent lower.

The average price per kilogram of the "second bread" throughout the country this January was 76 kopecks.

Potatoes were expensive, at one to one and a half rubles per kilogram at markets in the cities of Vladimir, Arkhangelsk, Vologda, Tanmbov, Michurinsk, Astrakhan, Volgograd, Syzran, Penza, Kazan, Sochi, Kurgan, Shadrinsk, Komsomolsk-on-the-Amur, Kutaisi, Yerevan, Bukhara, Urgench, Ashkhabad, Krasnovodsk, Uralsk, Karaganda, Semipalatinsk, Tbilisi, Baku, Lenakan, Kuybyshev, Saratov, Orenburg, Irkutsk and Vladivostok. Inexpensive potatoes, 30-35 kopecks, were sold at the markets in Vinnitsa, Berdichev, Radomyshl, Zolochiv, Baranovichi, Bobruysk, Kuznetsk, Zhitomir and Shepetovka. Muscovites paid 1 ruble per kilogram on the average and people in Leningrad paid 80 kopecks.

Late February Report

904B0184B Moscow SELSKAYA ZHIZN in Russian
1 Mar 90 p 2

[Article by L. Vashchukov: "The Market: What Costs What?"]

[Text] Lines from a letter: "I was in Moscow, staying with my daughter. I dropped by a market. My lord, it was scary to walk up to the counters; never in my life had I seen such 'outrageous' prices! How do you live there, in the capital? I. Sadykov, Pokrovka, Orlov oblast."

There's no reason to be surprised at the prices, because in comparison with the same period last year meat production, let's say, decreased in almost all the union republics except Uzbekistan and Moldavia. This brought about an increase in prices at the markets. And not only in the capital or in other large cities. On the average throughout the country prices of animal products at the markets increased by 12 percent.

Prices for beef were registered at the markets in 216 cities. In comparison with the same period last year prices increased in 97 of them and decreased in 10. Prices increased significantly, by 22-38 percent, at the markets in Latvia, the Far East, along the Volga, the northwest and central regions and Moldavia. Prices decreased slightly in the cities of Central Asia. In all throughout the country the average price of beef was 6 rubles 11 kopecks per kilogram. But if we talk in more concrete terms, beef was sold for 7-8 rubles per kilogram at the markets of Kalinin, Vologda, Gorkiy, Balakhna, Arzamas, Kirov, Syzran, Sverdlovsk, Nizhniy Tagil, Zlatoust, Ufa, Tomsk, Vladivostok, Komsomolsk-on-the-Amur, Kaliningrad, Lvov, Odessa, Tbilisi and other cities. The lowest price (3 rubles 50 kopecks—3 rubles 90 kopecks per kilogram) occurred at the markets of Omsk, Nezhin, Astrakhan, Chernigov, Kursk and Talda-Kurgan..

Prices on pork were recorded at markets in 281 cities. In the comparative list of cities in which prices were recorded a year ago, prices increased in 124 cities and decreased in 13. The average price throughout the

country for pork was 5 rubles 60 kopecks per kilogram. However, the price increased to 8 rubles at the markets of Bryansk, Tbilisi, Minsk, Khmelnitskiy, Batumi, Odessa, Vilnius, Riga, Lvov and other cities.

The inhabitants of Chistopole, Omsk, Talda-Kurgan, Kursk, Uryupinsk, Elista, Maykop, Taganrog, Kokchetav, Kustanay, Tselinograd, Aktubinsk, Astrakhan, Minusinsk, Novgorod and Leninabad paid 3 rubles 30 kopecks - 3 rubles 90 kopecks for a kilogram of pork.

Prices on milk in the comparative list of cities where prices were recorded a year ago increased in 30 of those cities, decreased in 8 and stayed at the same level in 122. The average price throughout the country of fresh milk was 84 kopecks per liter. Milk was sold for 1 ruble and higher in 60 cities. The highest level, 1 ruble 30 kopecks—2 rubles 25 kopecks occurred in Kaluga, Grozny, Sverdlovsk, Komsomolsk-on-the-Amur, Yaroslavl, Perm, Pyatigorsk, Kutaisi, Sukhumi and Tbilisi. More accessible prices, 30-40 kopecks per liter, were available at the markets of Bukhara, Kokand, Shadrinsk, Chernovtsy, Termez and Margilan. At markets in Moscow, milk sold for 1 ruble 50 kopecks per liter but at markets in Leningrad this was the third month in a row that there has been no milk at all.

Now about prices of animal oil: prices increased in 27 cities, decreased in 12 and remained at last year's level in 70. On the whole throughout the country prices decreased to 7 rubles 95 kopecks per kilogram.

The decrease in egg prices is continuing. On the average throughout the country their price fell five percent for the year and fell 7-17 percent at the markets in Georgia, Armenia, the Ukraine, Moldavia and Western Siberia. The average price of eggs was 1 ruble 28 kopecks for ten. However, there are regions where the prices vary in the range of 2 rubles—2 rubles 50 kopecks for ten eggs. These areas include the cities of Kaluga, Sochi, Orenburg, Vladivostok, Rovno, Ternopol, Kaunas, Tbilisi and others.

These are the prices. Naturally, they annoy us city-dwellers more. More often they make the peasant happy, because at the market the seller is the peasant and the buyer the city-dweller.

Mid-March Report

904B0184C Moscow SELSKAYA ZHIZN in Russian
15 Mar 90 p 2

[Article by L. Vashchukov: "The Market: What Costs What?"]

[Text] For the January-February period one half billion rubles less of potatoes, and fruit and vegetable products became available for sale than had been planned. It is not surprising, then, that in a number of cities the state retail prices for this produce considerably exceeded last year's level.

The situation with hothouse and early vegetables is bad. Their procurement levels have decreased considerably. On the other hand, individual vegetable growers are delivering plenty of early vegetables to the collective farm markets. Thus, in the January-February period in comparison with the same months last year deliveries by the population of green onions increased by 4 percent, fresh cucumbers 12 percent, lettuce and fresh tomatoes by one third and parsley by one and a half times.

It would seem that if there is more produce at the market, the prices would be lower. No, that did not happen. Prices continue to rise. In February on the average prices of vegetables were 11 percent higher than last year. This included increases of 29 percent for fresh cabbage, 11 percent for onions, 19 percent for beets, 17 percent for fresh cucumbers and 19 percent for fresh tomatoes. The average price for a kilogram of cucumbers and fresh tomatoes was more than 10 rubles.

In February prices of fresh cabbage were recorded at collective farm markets in 226 cities. With an average price increase of 29 percent throughout the country, the price at markets in the Urals, Georgia, Azerbaijan and Tadzhikistan increased by 40-69 percent, in Eastern Siberia and Uzbekistan by 74 percent and in Armenia almost by two times. At the markets in Estonia, the Ukraine and Lithuania prices decreased by 5-9 percent. On the whole throughout the country the average price for fresh cabbage was one ruble per kilogram.

At the markets of Moscow fresh cabbage was sold on the average for 1 ruble 50 kopecks per kilogram and in Leningrad for 1 ruble 25 kopecks.

Onions became more expensive almost everywhere. Prices went up considerably, by 37-63 percent, at the collective farm markets in the Northern Caucasus, the central region, Lithuania, the central chernozem region and in Eastern Siberia; by 16-30 percent at the markets of Western Siberia, Armenia, Moldavia, the Urals and Estonia. Prices fell slightly at the markets of the northern region and Turkmenistan.

The average price of a kilogram of onions throughout the country as a whole in February was 78 kopecks.

The most expensive onions, 2-3 rubles per kilogram, were sold at markets in the cities of Aleksandrov, Rzhev, Sharya, Orel, Sasovo, Smolensk, Aleksey, Petrozavodsk, Gatchina, Novgorod, Yoshkar-Ola, Marks, Kurgan, Izhevsk, Kemerovo, Kansk, Irkutsk, Riga and Tallinn.

Inexpensive onions were available at markets in the cities of Osh, Kokand, Dzhalal-Abad, Leninabad, Chimkent, Andizhan, Arkhangelsk, Zolochev, Khotin, Pologi, Voroshilovgrad, Voznesensk and Izmail.

At markets in Moscow and Leningrad on the average onions sold for 1 ruble 97 kopecks and 1 ruble 39 kopecks respectively.

In comparison with last year the price of potatoes in February decreased by 18 percent. At markets in Azerbaijan, the Northern Caucasus, Turkmenistan, Georgia, Kirghizia, the Ukraine and Moldavia the price decreased by 22-31 percent. However, at markets in the Urals, Western Siberia, the Volga-Vyatsk and northwest regions and in Eastern Siberia the price of potatoes rose by 10-18 percent, in the central region by 24 percent and in the Far East by 79 percent.

The average price of potatoes throughout the country as a whole in February was 77 kopecks per kilogram.

Sales clerks at markets in the cities of Vladimir, Arkhangelsk, Tambov, Michurinsk, Astrakhan, Kuybyshev, Syzran, Penza, Marks, Kazan, Sochi, Nalchik, Kurgan, Shadrinsk, Novosibirsk, Komsomolsk-on-the-Amur, Lvov, Sheki, Kirovabad, Yerevan, Margilan, Urgench, Ashkhabad, Gurev, Uralsk, Karaganda, Semipalatinsk, Novomoskovsk, Saratov, Tbilisi, Leninakan, Baku, Orenburg, Irkutsk, Krasnovodsk and Vladivostok were asking 1 ruble—1 ruble 55 kopecks while onions brought 2 rubles per kilogram at the markets of Chapayevsk.

The cheapest potatoes, 25-35 kopecks per kilogram, were available at markets in Baranovichi, Pinsk, Chernemkhovo, Kaliningrad, Zolochev, Mogilev, Bobruysk, Kuznetsk and Zhitomir.

The average price of potatoes in February at the markets in Moscow was 96 kopecks per kilogram and in Leningrad 75 kopecks.

Fruits became considerably more expensive, a 21 percent increase. Apples went up by 20 percent, citrus fruit by 46 percent and dried fruit by 18 percent.

At markets in the cities of the central region, the northwest region, the Northern Caucasus, Uzbekistan, Latvia and Belorussia, prices on fruit rose 22-23 percent. In the Ukraine, Armenia, Lithuania and the central chernozem region prices rose by 26-32 percent.

Late March Report

904B0184D Moscow SELSKAYA ZHIZN in Russian
1 Apr 90 p 2

[Article by L. Vashchukov: "The Market: What Costs What?"]

[Text] The period just ending of the current year to our great regret did not bring an increase in procurement and production of animal products. In all the union republics, except Kazakhstan, Moldavia and Estonia, there was a sharp reduction in the procurement of livestock and poultry. In Azerbaijan by 31 percent, Georgia by 26 percent, Tadzhikistan by 17 percent, Kirghizia by 15 percent and Armenia by 13 percent. This had a negative effect on retail prices. Despite an increase by 12 percent in the deliveries to market of meat products, prices rose by 15 percent; with an increase of 16 percent in the deliveries of milk products prices rose by 7 percent. Prices on lamb rose by 11 percent, veal by 38 percent,

beef by 18 percent. At markets in the Volga region, in the Urals, northwestern and central regions prices rose by 24-32 percent.

Prices for beef were recorded at markets in 217 cities. Prices increased in 118 cities, decreased in 5 and remained at last year's level in 75.

The average price of beef throughout the country as a whole was 6 rubles 36 kopecks per kilogram. Beef was sold for 7-8 rubles at markets in Vladimir, Kalinin, Vologda, Kirov, Tambov, Michurinsk, Kuybyshev, Syzran, Saratov, Ulyanovsk, Krasnouralsk, Zlatoust, Ufa, Izhevsk, Tomsk, Lvov, Odessa, Kutaisi, Batumi, Sukhumi, Yerevan, Ivanovo, Yaroslavl, Gorkiy, Perovuralsk, Tbilisi, Tula, Petrozavodsk, Syktyvkar, Arzamas and Riga. For 9-10 rubles in Chapayevsk, Berezniki, Sverdlovsk, Nizhniy Tagil, Komsomolsk-on-the-Amur, Arkhangelsk, Vladivostok and Perm.

Low prices, 3 rubles 50 kopecks—3 rubles 90 kopecks per kilogram were recorded at markets in Omsk, Radomyshl, Nezhin, Buturlinovka, Astrakhan, Chernigov, Bolgrad, Taldy-Kurgan and Kursk. In Moscow the average price of beef was 10 rubles 71 kopecks per kilogram and in Leningrad 9 rubles 50 kopecks..

The average price of fresh milk throughout the country was 84 kopecks per liter, that is, it increased by 5 percent. At markets in the Volga-Vyatsk region, the Volga region, Uzbekistan and Western Siberia prices increased by 8-11 percent and in the central region by 20 percent. However, at markets in Eastern Siberia and Kazakhstan prices decreased by 7 and 10 percent respectively. The highest prices, 1 ruble 20 kopecks—2 rubles 25 kopecks per liter were recorded at markets in Berezniki, Kaluga, Groznyy, Perm, Sverdlovsk, Komsomolsk-on-the-Amur, Batumi, Kutaisi, Sukhumi and Tbilisi.

Milk was sold for 30-40 kopecks per liter at markets in Storozhinet, Bukhara, Kokand, Shadrinsk, Minusinsk, Vladimir-Volynskiy, Kolomyya, Zolochev, Borislav, Chernovitsy, Termez and Margilan.

At markets in Moscow the average price of milk was 1 ruble 60 kopecks per liter and in Leningrad milk again was unavailable.

Throughout the country as a whole the average price of animal oil was 8 rubles 16 kopecks per kilogram. It was sold for 10-12 rubles at markets in Ryazan, Arkhangelsk, Gorkiy, Arzamas, Belgorod, Tambov, Michurinsk, Uryupinsk, Syzran, Chapayevsk, Penza, Kuznetsk, Ulyanovsk, Krasnodar, Ordzhonikidze, Groznyy, Ufa, Novosibirsk, Cherkassy, Melitopole, Kerch, Odessa, Riga, Saratov, Simferopol and Kirovabad.

The lowest prices, 4-5 rubles, occurred at markets in Kaunas, Lutsk, Starobelsk, Shyaulay, Panevezhis, Pyarnu, Soroki, Rybnitsa and Polotsk. At markets in

Moscow and Leningrad the average price of animal oil was 9 rubles 57 kopecks and 11 rubles per kilogram respectively.

The level of prices on fruits and vegetables and pickled, fermented and marinated products from them, as well as dried fruit and potatoes, continues to stay relatively

high. This is associated to a considerable degree with the fact that collective and state farms and the consumer cooperative as in the past do not ship much of these products to the market and the executive committees of the soviets of peoples's deputies and the public in general have not exerted much pressure for them to do so.

FOOD PROCESSING, DISTRIBUTION

Rise In Farmer's Market Produce Prices Reported 904D0102A Moscow SELSKAYA ZHIZN in Russian 13 Apr 90 p 2

[Article by L. Vashchukov: "The Market: What Should the Prices Be?"]

[Text] "Vitamins" are desired in the spring. However, at this time there are shortages in vegetable products on the state counters. During the period from January to March, for example, the supplies of vegetables and fruit made available to the state trade were less than the plan by 225,000 and 390,000 tons respectively. The situation was further aggravated by the fact that 15 percent fewer early and hotbed-hothouse vegetables were purchased this spring compared to the figure for last year.

The kolkhoz market responded quickly to this development. Compared to last year, the prices for vegetables increased by 13 percent. And to be more specific, in the case of fresh cabbage—by 35 percent, beets—by 27 percent, and common onions—by 13 percent. Compared to last year at this time, when the average price for fresh cucumbers was 6 rubles and 93 kopecks per kilogram, today the price is 8 rubles and 17 kopecks.

Throughout the country as a whole, the average price for fresh cabbage is 1 ruble and 12 kopecks. Price increases were especially noticeable on the markets in Turkmenistan, Kirghizia, the Urals, the East-Siberian region and Uzbekistan (by 44-67 percent) and by a factor of 1.9-2.4 on the markets in Armenia, Tajikistan and Georgia. The prices in Belorussia declined by 14 percent and in the central chernozem region—by 39 percent.

Fresh cabbage was sold on markets in Moscow at an average price of 1 ruble and 67 kopecks per kilogram and in Leningrad—1 ruble and 40 kopecks.

The prices for common onions were recorded at kolkhoz markets in 261 cities. According to a comparison for a number of cities in which prices were recorded last year, the prices increased in 140 cities and declined in 42 cities. Moreover, on markets in the Ukraine, Kazakhstan, the East-Siberian region, Moldavia, Tajikistan, the North Caucasus, Urals, central-chernozem regions, Armenia and the northwestern region, the prices increased by 20-35 percent; on markets in Estonia—by 66 percent; Latvia—by 70 percent. A considerable decline was noted in the prices being charged on markets in the Far East.

In the case of fruit, apple sales predominated on the kolkhoz market. Despite the fact that apple imports increased by 6 percent, the prices for them were higher last year by 23 percent. Pear sales on the markets increased by 15 percent and the prices were raised by 22 percent. The average price for citrus fruit at the present time is 8 rubles and 86 kopecks per kilogram.

At the same time, the price reduction for potatoes noted on the Kolkhoz market in January and February is continuing at the present time. Imports for the potato market have increased by 12 percent and the supply of potatoes for the state trade has been increased by 3 percent. Thus it is obvious that prices on the kolkhoz market have declined by 20 percent, including on markets in Azerbaijan, the Ukraine, Kirghizia, Moldavia, Georgia, the North Caucasus, Turkmenistan and Uzbekistan by 26-33 percent.

The average price for potatoes throughout the country as a whole was 73 kopecks per kilogram. However, the price for potatoes ranged from 1 ruble to 1 ruble and 50 kopecks per kilogram on markets in such cities as: Kaluga, Tula, Arkhangelsk, Tambov, Syzran, Chapayevsk, Penza, Saratov, Volsk, Marks, Komsomolsk-na-Amur, Sevastopol, Tbilisi, Yerevan, Termez, Ashkhabad, Kustanay, Karaganda, Semipalatinsk, Kuybyshev, Chita, Orenburg, Baku, Novomoskovsk, Kurgan, Irkutsk, Vladivostok and Krasnovodsk.

The lowest prices—25-30 kopecks per kilogram—were noted on markets in Baranovichi, Pinsk, Vladimir-Volynskiy, Molodechno, Mogilev, Bobruysk and Rybnitsa.

The average price for potatoes on Moscow markets was 90 kopecks per kilogram and in Leningrad—75 kopecks.

And generally speaking, the number of cities with a high price level for potatoes is declining. Today the table appears as follows:

Price (in kopecks per kilogram)	Number of Cities	
	1989	1990
up to 30	12	10
31-35	4	8
36-40	14	24
41-50	65	64
51-70	73	89
more than 70	124	87

Rumors About Radioactive Meat Dispelled

904D0090A Moscow ARGUMENTY I FAKTY in Russian No 12, 24-30 Mar 90 p 5

[Article by A. Povalyayev: "Meat Under Control"]

[Text] Kiev, Chernigovsk, Gomel and Mogilev oblasts. It is startling to note the great number of cows, sheep and calves that are grazing out on the meadows and fields. On whose tables will their radioactive meat be served? S. Motuzenko, Ryazan.

A. Povalyayev, a leading scientific worker at the All-Union Scientific Research Institute for Agricultural Radiology of the State Committee for Food and Procurements of the USSR Council of Ministers, comments upon the above letter.

The processing enterprises of the meat and dairy industry are supplied with contaminated meat only if the level of such contamination does not exceed the norms approved by the USSR Ministry of Health.

I have in mind the so-called VDU-88—"Temporary permissible levels for total amount of radio-nuclides in food products," including in meat and sausage products. The norms were developed by the National Committee for Radiation Protection of the USSR Ministry of Health, for the purpose of evaluating the quality of food products immediately following the accident at the ChAES [Chelyabinsk Atomic Electric Power Plant]. The norms for the content of radioactive substances during the initial days of the accident were established with a considerable reserve compared to the minimum active dosage of irradiation.

When talk centers upon "radioactive substances" or "radioactive elements," one very important word is omitted—"mineral." In other words, all radioactive elements are mineral substances from which all animate and inanimate nature are formed, substances which are held in an unstable state and which gradually deteriorate with the release of energy.

The specialists developed a system for feeding beef cattle, according to which the animals spent nine tenths of their lives eating feed containing radioactive cesium and during the last 2-3 months—"pure" feed. During this time the muscles and organs of the animals were cleansed of cesium by a factor of 10 or more and the meat conformed fully to the strictest radiation norms. Beyond any doubt, the entire process of meat production is strictly controlled. Radioactivity is measured prior to the slaughtering of the animals and if it is at a raised level the animals are held back for additional feeding. The meat is subsequently checked in the departments of a meat combine. The last check is carried out during the production of the finished products. Thus, high quality meat from the "fields and meadows of Chernobyl" is guaranteed.

In 1989, more than 100,000 tons of non-radioactive meat were obtained for the country from oblasts affected by the accident. The system for obtaining "pure" meat was placed in operation for all practical purposes during the second half of 1987. Prior to this time, approximately 40,000 tons of meat containing radioactive substances in excess of the norms authorized for consumption were obtained in the zone of the Chernobyl accident. A large portion of this meat was obtained from cattle evacuated from within a 30-kilometer zone. There was no feed available for these animals and no place to send them. For the most part, they were slaughtered. Radioactive contamination in meat varies greatly. At

times it has been twice as high and even twenty times higher than the norm. Moreover, there are differences in the radioactive substances in the meat: there are the so-called "short-life" (for example, there are no traces of iodine-131 after 80 days have elapsed) and "long-life" (mainly cesium-137) types. Thus the meat was placed in storage such that it could be sold once its radioactivity declined to the norm established by the USSR Ministry of Health.

It was also recommended that partial use be made of meat that exceeds the established norms by only a slight degree for the production of sausage products, which as is known are produced using pork and various fillers. The storage and processing of such meat does not pose any radiation danger and the finished product conforms fully to the strictest normative requirements. A portion of the stored meat is processed to be used as feed for livestock.

At the present time, approximately 3,000 tons of meat remain of the total amount placed in storage in 1986 and in view of the fact that it is senseless to expect any further reduction in its radioactivity, measures are being undertaken to bury it.

From the Editorial Board: It turns out that we have been eating "pure" meat for two years and still we are hearing gloomy rumors concerning the radiation contamination of agricultural products. Is it not possible for all of this data, which our radiologists fearlessly presented to a committee of the World Health Organization, to be made available to all of our people, since this would reduce the number of letters reaching the Editorial Board on the subject "strontium in the frying pan"?

PERSONAL INCOME, SAVINGS

Interest on Bank Savings To Increase

904D0096A Moscow TRUD in Russian 4 Apr 90 p 1

[Interview with M. Nakhmanovich, deputy chairman of the board of the USSR State Workers' Savings and Credit Bank, by A. Trushin: "The State Workers' Savings and Credit Bank Increases Interest Rates"]

[Text] Effective May of this year, the USSR State Workers' Savings and Credit Bank is introducing two types of savings with increased interest rates. We asked M. Nakhmanovich, first deputy chairman of the board of the USSR State Workers' Savings and Credit Bank, to tell us about this innovation.

[Nakhmanovich] The first type of new deposits is "contractual" deposits. A sum of not less than 500 rubles is deposited on account in the rayon savings bank for a period of 5 or more years. During the time the money is on deposit the customer is paid 4 percent annual interest.

The second type is "accumulation deposits." They are intended for a minimum of 10 years, and the customer

must make monthly deposits of a certain amount of money. This also provides for a 4-percent annual income on the amount deposited.

[Trushin] What if a person decides to withdraw his money before expiration of the term of deposit?

[Nakhmanovich] In this case, he would get back his deposit plus 1 percent annual interest on the contract deposit and 2 percent on the accumulation deposit.

[Trushin] What advantage will a consumer have if he uses the new services?

[Nakhmanovich] The advantages in this case are obvious: He will receive 4 percent instead of the 2 percent on regular deposits or 3 percent on time

deposits. I will tell you more. If I myself had some available money, I would certainly take advantage of the new types of deposits. Thus, in 5 years for every 1,000 rubles under the contract deposit I would receive 216 rubles 56 kopecks...

[Trushin] What new services are you planning for the immediate future?

[Nakhmanovich] This year we will begin selling 16-year USSR state treasury notes paying 5 percent interest annually. The State Bank Note Factory has already prepared certificates in denominations of 50, 100, 500, and 1000 rubles. We are also thinking about authorizing people over the age of 45 to make "pension" deposits at 8-10 percent annual interest.

FUELS

Kumkol Oil Deposit Promising, Infrastructure Lacking

904E0065A Moscow NEFTYANIK in Russian No 1, Jan 90 pp 1-2

[Article by G. Topuridze: "Kumkol Requires Attention" under the rubric "In the USSR Minneftegazprom [Ministry of Construction of Petroleum and Gas Industry Enterprises] Collegium"]

[Text] Kumkol....Until recently this word was little known to people, but now, this year, it is planned that about 1 million tons of "black gold" will be recovered here at the Kumkol oilfield, which is in Kzyl-Orda Oblast of Kazakhstan.

This field was discovered by geologists in 1984. Its productive horizons are confined to Cretaceous and Jurassic deposits and lie at a depth of 1,100-1,370 meters. The hypothetical oil reserves allow it to be hoped that by the end of the next five-year plan the recovery of crude and condensate will reach 4.5-5 million tons here.

M. G. Salamatov, Deputy General Director of the Mangyshlakneft Production Association (he is the chief of Kumkolneft's NGDU [oil-and-gas recovery administration]), reported to collegium members on the status of operations for introducing the Kumkol field. It must be said that in 1989 it was planned to recover 300,000 tons of hydrocarbon raw-material here. However, this did not happen. This is explained first of all by the low quality of the design executed by KazNIPIneft [Kazakh Scientific-Research and Design Institute for the Oil Industry], and also by a replacement of contracting construction organizations during the course of the work.

By the start of November last year, 58 operational wells (the average production rate was 35 tons per day) touched down at the Kumkol. Four brigades did the drilling with BU-75BrD rigs. BU-75BrE installations were brought into the field but could not be used because of the lack of electricity.

KazNIPIneft and the Mangyshlakneft association delayed revision of the design for building up the field's facilities for industrial-test operation in accordance with the comments of Kazakh SSR Goskompriroda [State Committee for Protection of the Environment] and did not present for approval an agreed-upon complex for early startup, taking into account gradual introduction of the field for development. Moreover, the association did not take proper steps to supply the facilities under construction with equipment and materials on time, thus holding back construction operations considerably and provoking justified rebukes of the contractors. Work on the cluster and measuring installations, the TsPPS [central pipeline pump station], the axial oil and gas reservoir, and engineering support facilities involved delays.

Erection of the Kumkol-Karakoin oil pipeline for sending the crude out and of the Karakoin NPS [oil pumping station] is going slowly. The facility was not supplied completely with pipe.

USSR Minenergo [Ministry of Power and Electrification] did not take the necessary steps to complete construction last year of the Kumkol field's energy-saving facilities. And operations were hampered here by poor outfitting with equipment and materials.

Kazakh SSR Minavtodor [Ministry of Roads] organizations are building the roads at the field. However, through the client's fault, the builders did not have a precise operating plan.

USSR Minneftegazstroy and USSR Minenergo representatives who spoke at the collegium assured those present that their organizations are making every effort to complete the pre-startup operations at the field as quickly as possible. However, not by far did everyone share their optimism.

The collegium decided to create a staff made up of representatives of all the organizations concerned, which would be responsive in deciding all questions associated with accelerated startup of the field. Moreover, attention was paid to social and personal-services problems that are already arising in the new collective of the oil-and-gas recovery administration. It was recognized that, in order to solve them, it would be desirable to create this year in Kzyl-Orda a specialized construction organization. All sections of the ministry's central staff were charged with ensuring priority solution of the problems associated with developing the Kumkol oilfield.

The day is not far off when "black gold" will go from the Kumkol to the country's refineries. This event will be an important milestone in Kazakhstan's Aral area, where today more than 20 percent of the residents cannot apply their efforts in social production.

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Better, Safer Oilfield Equipment Needed

904E0065B Moscow NEFTYANIK in Russian No 1, Jan 90 pp 3-5

[Article by B. Gadzhiev, director of VNIITB [All-Union Scientific- Research Institute for Petroleum-Industry Safety] (Baku): "Ways to Create Highly Productive and Safe Oilfield Equipment"; first paragraph is source introduction)]

[Text] The oil industry is now operating a large amount of potentially unsafe equipment. At the same time, the machinebuilders have not been given material incentives for creating and producing safe equipment that includes an interlock system and is outfitted with devices and accessories for work safety and small-scale mechanization. In turn, the production workers have not been given material incentives to reduce injury. The administrative steps taken are not yielding the desired results.

A problem that faces the oil-and-gas recovery branch—that of meeting the country's requirements for fuel and power resources—can be solved provided that new oil and gas fields are put into operation each year. Doing so will enable the rate of oil and gas recovery that has been achieved to be maintained, since at present many operating fields are in the last stage of development, are experiencing a high degree of flooding of the formations, and are marked by high frequency of repairs of operating wells and an unsatisfactory state of the pumping equipment and other machinery and mechanisms being used. However, the remoteness and difficulty of access of newly discovered fields and the limited nature of the explored oil and gas reserves are complicating their development, and they require large capital investment.

On the other hand, in order to solve social problems it is necessary to reduce costs connected with oil and gas recovery and to direct the fuels saved to social needs. Successful implementation of this complicated task is governed to a great extent by the technical level and quality of the petroleum equipment delivered by petroleum machinebuilding plants, the use of progressive technologies and reduction in labor-intensive performance of industrial operations, a high degree of organization and discipline at the production facilities, and so on.

Among the measures taken, the creation of highly productive and safe machinery and mechanisms that comes up to the modern engineering level is acquiring special importance. Because of this, special attention should be paid to the demands made on newly developed equipment. When issuing engineering requirements to the machinebuilders, the client should rely on tested operating equipment whose use will increase the efficiency of oilfield equipment and raise the productivity of labor and make it safe. Consequently, devices, accessories and mechanisms that help to reduce manual labor in the industry and raise its productivity should be created and tested in timely fashion. The use in newly developed machinery of structural members that have already been created and tested will enable oilfield workers to be provided with highly productive and safe equipment. Thus, an integrated solution to the problem of creating new equipment must be provided for, using devices, accessories and mechanism for work safety and small-scale mechanization that the machinebuilders have tested. The development, manufacture and experimental introduction of such devices and attachments will require definite material expenditures and incentives for production workers to develop safety equipment. Therefore, we have considered it desirable to present, by way of discussion, our ideas on measures that will enable the problem of creating safe equipment to be solved.

An analysis of the causes of injury in the petroleum industry shows that more than five percent of the accidents that end in death are caused by design inadequacies of operating equipment whose potential for causing injury had not been fully evaluated. Many types of equipment do not meet the demands of work safety and

the health norms. According to data from trade-union organs and Gosstandart [State Committee for Standards], eight of ten types of machines do not meet the requirements for protecting labor. As a result, the danger of injury is already incorporated in the equipment shipped by the machinebuilders.

An analysis by VNIITB of operating equipment has indicated that certain types of drill rigs and oilfield-facility units have a number of major defects in regard to safety engineering. For example, many required interlock devices, load limiters, cable coliers, cut-offs to pressure gages, and so on are lacking. The hoist lifters for block and tackle are unreliable. The illumination of workplaces and the noise levels created do not meet health norm requirements. More than 45 percent of the injuries from lifting and lowering operations occur during the spontaneous opening of elevator doors, 18 percent when machine-switch cables break.

The institute found that more than 30 specific items of oilfield equipment have design defects which at any moment could lead to injury. The statistical data on injuries confirm this. In four years, 74 persons were injured in operations associated with well workovers, and 190 and 118 were injured during the servicing and repair of, respectively, pumping jacks and drill pumps.

The mechanization level of the work remains low, yet the industry's requirement for safety equipment and small-scale mechanization is being satisfied by about 50-55 percent, at a time when the mix of developed devices and accessories is limited and inadequate. As a result, many injuries occur because of the absence of needed special devices and accessories in the safety-engineering field with which the installations and units of the branches being supplied should be outfitted.

This situation explains to a great extent the fact that the original technical requirements and the engineering task for developing the equipment did not fully incorporate the requirements for those devices and accessories that would support safety of operations during both the execution of industrial operations and the servicing and repair of equipment. The various devices and accessories, and even sets of mechanisms, for safety engineering that are being developed by the branch's institutes are like "patches" on the equipment, and, what is more, they do not satisfy the workers' demands as to the amount of serial production or the products mix.

VNIITB, being the prime organization for scientific and technical expertise on engineering standards documentation for equipment newly developed for the oil and gas industry, particularly in regard to its conformance with the demands for protecting labor, issues more than 200 expert findings per year. However, there are cases where the developing enterprises do not completely eliminate the deficiencies that are found, and the equipment arrives at petroleum-industry enterprises without meeting the requirements for worker protection. In order to preclude such cases, during acceptance tests of the

equipment a careful check should be made in accordance with safety requirements. If it meets these requirements completely and is on a par with the best foreign and domestic equipment in level of safety, then this should be noted in the documents for the equipment.

Accordingly, the interagency acceptance commission should recommend a markup to the price of such equipment. As for equipment that meets safety demands fully, its price should be reduced prior to its replacement by new or modernized equipment. This will provide a material incentive for the machinebuilders to create and produce safe equipment.

Calculations that have been made indicate that up to 110,000 units of equipment that can cause injury are now in operation in the oil industry. The total number of design defects in them, each of which can cause injury or be the cause of an accident, exceeds 500,000. Thus, there is a large number of potentially dangerous factors which cannot be eliminated by administrative actions.

According to the results of an analysis of the causes of injury, it is considered that more than 80 percent of oil-industry accidents occur for organizational reasons—because of inadequate training of personnel, nonfulfillment of the requirements of the rules or instructions, incorrect actions, and other similar causes.

Without negating the significance of the factors cited, it should be considered that the conduct of a person is determined by his condition: irritability, fatigue, increased excitability, poor state of health, and so on. Various circumstances exert a considerable influence on his reaction and the correctness of the decisions made. Therefore, those measures that will allow the effect of these factors to be precluded or, at least, to be neutralized are necessary. In other words, to call for an interlock system and special accessories and mechanisms that will ease working conditions and make them safe.

Today, according to the results of an inquiry into an accident, an order is issued which, as a rule, calls for administrative measures to be taken by enterprise management or officials who are responsible for safety engineering but who in many cases are not, in practice, in a position to exert an influence on reducing injuries by virtue of the reasons cited above. The administrative actions and organizational measures taken do not yield the desired results, and the main purpose of the measures—to provide protection for people from possible repetition of an accident—is not achieved in practice.

It should follow from what has been said that it is necessary to create those conditions which would make it unprofitable for developers and manufacturers to produce unperfected equipment that can cause injury, and, in turn, there should be material incentives for the production workers to eradicate injuries.

At present, neither of them has been given material incentives either to create safe equipment or to adopt effective measures for eliminating injuries.

With the transition to full economic self-sufficiency and self-financing, each enterprise itself has wage funds at its disposal. Given all the positive results of reform, certain negative aspects also have manifested themselves. Thus, it turns out that the enterprises have not been motivated to allocate funds to the creation of devices for safety-engineering and small-scale mechanization.

Therefore, levers of economic action should be developed that will break down the attitudes of production workers toward spending funds on improving working conditions and insuring safety.

Economic prerequisites must be created to insure that, in case a worker is injured, not only are the guilty punished but action is taken against the causes of the injury, thus eliminating it.

The following are proposed as material incentives for production-enterprise collectives to reduce the injury rate.

An enterprise at which an injury occurs should create a specialized fund of its own for financing scientific-research and design for creation of the necessary labor-protection developments.

The establishment of such a fund will enable studies of working conditions and operating processes and the manufacture and acquisition of safety equipment to be financed.

The commission which investigates an accident should indicate the amount which should be deducted into the named specialized fund from enterprise resources, that is, from above-plan profit.

The proposed total deductions can be:

- where there is a minor injury—10,000-15,000 rubles;
- where there is an injury of average gravity—25,000-30,000 rubles; and
- where there is serious injury—more than 40,000 rubles.

A similar practice of enterprises deducting definite amounts is in effect when the enterprises violate the ecological situation.

With the creation of the specialized fund at an enterprise, its staff members will have a financial incentive to prevent injuries, and, if an accident occurs, to take effective measures to prevent a repetition of it—in each case, developments (other than administrative actions, which are poorly effective) that will allow such incidents to be precluded in practice will be executed. Obviously, such an approach to solving problems of reducing injuries will be more effective and efficient and will force those who do the work to take emergency measures to prevent injuries and to preclude accidents in the future,

without orders or instructions from above. The enterprise's collective will be motivated to be intolerant of injuries and to take steps to prevent them.

Production workers want to have various safety-engineering accessories and devices in order to reduce the injury rate, but when it comes to developing them they run into the problem of lack of the funds necessary for financing the work, or, since the whole branch needs devices and accessories, then the individual enterprises do not consider it possible to finance this development, as a result of which some of the institute's recommendations are not being realized.

The creation of specialized funds will enable the named problems to be solved. Moreover, the gradual development of devices and accessories for worker protection will enable the injuries most frequently occurring to be eliminated in a few years and the data for creating

complexes which should supply the equipment produced by the machinebuilders to be located.

After a certain time, the agencies' commissions will be able to select devices and accessories that have proved themselves well and to present them to the machinebuilders so they can gear up to produce the equipment. Moreover, in this case, when developing new or modernizing existing equipment, the client will present to the developer substantiated, defensible initial specifications and developed devices which have been tested and successfully accepted for production.

Then it will not be necessary to develop and produce individual devices and accessories for safety engineering and minor mechanization and, indeed, concern about protecting peoples' health will be satisfied.

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RSFSR Trade Union Congress Concludes Work**Session Overview**

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pp 1

[Article by F. Yemchenko, A. Kozlov, V. Konstantinov and V. Pisarchik: "Based Upon Consolidation"]

[Text] Yesterday the Constituent Congress of RSFSR Trade Unions continued its work in Moscow. The delegates discussed and adopted the "Basic Principles for the Organizational Structure and Operations of the Federation of Independent RSFSR Trade Unions."

The congress adopted a Statute on the Auditing Committee of the Federation of Independent RSFSR Trade Unions and elected the auditing committee.

The delegates discussed and adopted a resolution of the Constituent Congress of RSFSR Trade Unions and they also adopted a decree of the congress concerned with the appeal by delegates from trade union organizations in Bryansk, Kaluga, Yaroslavl and Tula oblasts and enterprises of the timber, pulp and paper and wood processing industry of the RSFSR, addressed to the Constituent Congress of RSFSR Trade Unions in connection with eliminating the consequences of the accident at the Chernobyl AES [Atomic Electric Power Plant], a decree of the Constituent Congress of RSFSR Trade Unions "On Extending the Authority of Delegates to the Constituent Congress of Trade Unions and Convocation of the Second Congress of RSFSR Trade Unions," a statement in connection with the events taking place in the Lithuanian SSR, the statement of the Constituent Congress of RSFSR Trade Unions entitled "For Unity of Action by Trade Unions and All Workers Throughout the Country" and an appeal by the Constituent Congress of RSFSR Trade Unions addressed to the 1st Congress of People's Deputies of the RSFSR.

The chairman of the AUCCTU, S.A. Shalayev, delivered a speech before the delegates to the congress.

Elections were held for the post of chairman of the Federation of Independent RSFSR Trade Unions, on an alternative basis, from among three candidates. The chairman of the Organizational Committee for Training of the Constituent Congress and deputy chairman of the AUCCTU, I.Ye. Klochkov, was elected chairman of the federation. The secretary to the Central Committee of the Trade Union for Textile and Light Industry Workers, N.D. Malakhatkina, and the chairman of the Kemerovo oblastsovprof [oblast council of trade unions], V.I. Romanov, were elected deputy chairmen of the federation.

This concluded the agenda for the Constituent Congress of RSFSR Trade Unions.

Thus, the debates on exactly what the republic's trade union center should be like are concluded. The majority of the delegates to the Constituent Congress voted for the

federation of independent trade unions. The discussion, which continued throughout the first two days, revealed many different points of view concerning the problem. And this was quite natural. Indeed, there was nothing like this earlier in our trade union movement. The new tasks and new role demand new structures and forms. The congress lacked the usual unanimity regarding this question, but on the other hand a consensus was reached. During the recess between sessions, we asked some delegations to share their impressions and thoughts, after which the chief problem of the congress was resolved.

"If those who favored the creation of Rossovprof [Russian Trade Union Council] had prevailed, then as noted earlier, some delegations would have been forced to abandon the congress," stated the chairman of the tsekhkom [shop committee] of the Kuybyshev Aviation Production Association, V. Semyankikov. "Actually, the primary trade union organizations do not have direct access to the trade union councils. They can enter them only through the branch structures, which means that again they would be left with no rights."

This point of view is shared by the response organizer of the Central Committee of the trade union for workers attached to automobile and agricultural machine building for Sverdlovsk Oblast, G. Sotnikov:

"I am glad that the title of the new trade union organ retains the word 'independent.' Moreover, the merging of professional trade unions on a federated basis is making it possible to consolidate in one center the various associations and trade union societies that are appearing at the present time."

Despite the fact that a decision has been adopted, some delegates still entertain doubts regarding the federated principle for merging Russian trade unions. The majority of the members of the delegation from Kemerovo Oblast believe that a council and not a federation is capable of operating more effectively.

"The federation is assuming only consultative functions," stated the chairman of the trade union committee for the West-Siberian Metallurgical Combine, A. Khorokhordin. "And in the present situation, as never before, a need exists for unity of program and action. Is the organ created by us capable of doing this? It is extremely doubtful. Indeed, it assumes free access and egress for the various trade union structures. If a particular trade union association is not pleased with a decision handed down by the federation's council, it departs from it. After a day or two of pondering the situation, it again enters it. Such 'freedom' will hardly promote a strengthening of authority for the trade union center."

Moreover, in our opinion it is early at the present time to conduct an evaluation. Life will reveal the direction to be followed for improving the new structure. This is particularly true, in view of the fact that the regulations for it have not only not been adopted, but in fact they have not even been developed as yet. The principal step was taken during the congress—and here we are in agreement with

the position taken by the Organizational Committee—a working organ was created which unites the independent trade unions of Russia, an organ which must protect and represent the interests of the republic's workers and become an important factor for rallying the working people and advocating a strengthening of the economic and political independence of the Russian Federation.

We recall that during the course of preparing for the congress, members of the republic's council of trade unions were elected during inter-union and branch congresses, conferences and meetings. In accordance with a decision handed down by the congress, this organ was given the title of Federation Council.

In analyzing the course of the congress, we can certainly find many problem areas. The desire to demonstrate the proceedings to the maximum possible degree at times resulted in dead-end situations. This is what occurred, for example, during a discussion of the draft "Basic Principles for the Organizational Structure and Work of the RSFSR Federation of Independent Trade Unions." It began during the second half of the second day of the congress. A dispute immediately arose regarding the wording to be used. Thus, they failed to advance beyond the second page prior to the closing of the session. The remaining seven pages were left over for the following day. And suddenly, in the morning and in the absence of any special debate, they voted for the entire draft as a whole.

"We were aware that we were caught up in debates that would scarcely produce any benefit," we were told by the brigade leader of an integrated brigade of the Bashuralenergostroy Trust, V. Tyapin. "People turned out to be unprepared. Some recommended postponing the discussion and the adoption of this document for several months. Initially, they believed that the primary organizations should express their opinions. But I did not agree with this thought. Imagine what would happen if we discussed it in our collectives. Later, each one of us, upon arriving once again in Moscow, would start to pound our chests—they would maintain that it was not their personal opinion, but rather an order by the organization. And again there would be arguments. But this way, we will arrive with a finished document. Locally, it will be examined thoroughly and changes and supplements will be introduced, such that it would become the foundation for the future regulations, which then could be approved during the next congress."

Quite frankly, yesterday's session reminded us of a "Novgorod popular assembly." Even when discussing problems of secondary importance, emotions would suddenly flare up unexpectedly and the polemics would range far from the agenda. One after another, the delegates alternated serving as chairman of the session, after which the "reins of government" were again taken over by the chairman of the Organizational Committee for Conducting the Congress, I.Ye. Klochkov.

What can explain this raised emotional mood among the representatives of the trade unions of Russia? It seems that one of the delegates, when speaking into a "free" microphone, furnished a graphic response to this question.

"Comrades, glance at your red mandates," he said. "These are not simply pieces of cardboard, but rather each one of them represents tens of thousands of RSFSR workers, all of whom are waiting for us to provide specific solutions!"

At times, there was a lack of efficient order in the work of this congress. But indeed, this was the very first constituent congress. A chief consideration was the fact that the independent trade unions of the RSFSR now had their own central organ, one which makes it possible to coordinate the work of the trade union organizations, to carry out a dialogue with the Russian Government on an equal basis and to combine the efforts of workers living within the vast territory stretching along both sides of the Urals mountain range.

Understandably, the operational efficiency of the federation's council, its persistence and its genuine and not just declared independence will depend to a large degree upon the personal and businesslike qualities of those who direct the council. Understandable also was the captiousness and fault-finding attitudes of the delegates to the congress as they discussed the candidacies for the post of chairman of the federation's council. At a meeting held the evening before for representatives of the delegations from krays and oblasts, three candidacies were recommended for discussion: the chairman of the Organizational Committee for the Conduct of the Congresss and deputy chairman of the AUCCTU, I.Ye. Klochkov; the chairman of the Kemerovo Oblast Council of Trade Unions, V.I. Romanov; and the chairman of the MGSPS [Moscow City Council of Trade Unions], V.P. Shcherbakov. In the process, a fourth candidacy was introduced: the chairman of the trade union committee of the Moscow Kommunar Machine Building Plant, Yu.P. Rassuditelnov, submitted his candidacy for discussion. True, shortly thereafter, V.P. Shcherbakov requested to speak and stated: that he had decided to step down after having discussed the matter with the leaders of the branch trade unions in Moscow.

Permit me to add a few words concerning the candidates for the post of chairman of the federation's council. I.Ye. Klochkov is well known in trade union councils throughout the country as a consistent advocate of democratization of trade union life, finding a common language with informal organizations and unions and establishing the goal of constructive work directed towards protecting the interests and rights of workers. He views his chief role (and here we quote a statement made by I.Ye. Klochkov during the congress) as being that of emancipating the primary organizations and presenting them with complete freedom of action in organizational, financial and other matters.

V.I. Romanov heads up the Kemerovo Oblast Trade Union Council, which, during the course of the summer miner strikes which shook the country, supported in a decisive manner the demands of the miners for solving the social problems which had accumulated over the years and for improving conditions and wages. From the very first days of the strike, the union council chairman stood alongside the miners and participated actively in developing agreements between the government and the strikers.

As regards Yu.P. Rassuditelnov, he is personally known to us as a TRUD author: last year an article of his was published in our newspaper on the need for radically restructuring the work of trade union councils, rejecting functions that do not belong to them and intensifying work directed towards protecting the interests of workers.

It bears mentioning that the discussion of the candidacies also involved moments of raised emotions. During the course of this discussion, for example, some words were uttered by a representative of an informal organization—the "Shchit" Council, RSFSR people's deputy V.G. Urazhtsev. It should be stated that not all of the delegates agreed with his statements and they did not conceal their dislike: they made noises and drowned out the speaker. But it must be confessed that the speaker was undaunted, as he announced to the hall: "I will not leave the tribune until I have completed my speech."

And this event was not the only one that did not fit our traditional notion of just how a congress or conference should be conducted. Yesterday, for example, the delegates suddenly decided to comment upon a publication in the newspaper PRAVDA that was dedicated to the opening of the congress. They voted to submit a protest to PRAVDA, since they were not in agreement with the appraisal provided by the correspondent.

Moreover, it should be added that during the meeting of the federation's council its presidium was elected. Following this and during a press conference, the chairman of the RSFSR Federation of Independent Trade Union Councils, I.Ye. Klochkov, answered questions raised by the journalists.

Comments On Major Issues

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pp 1-2

[Article by V. Konstantinov and V. Pisarchik: "Upon What Is Independence Dependent?"]

[Text] Over a period of three days last week, the Vremya Program, immediately following some of the more important news reports bearing upon the country's life, dedicated one or two "paragraphs" to an event which took place in the Great Kremlin Palace—a constituent congress of RSFSR trade union councils. And if we take into account the fact that our newspaper, owing to its limited space, is unable to cover fully all of the nuances

and "opinions" in the debates taking place, the entire range of opinions and the recommendations of the delegates, then it is permissible to assume that the importance of the forum taking place has still not been properly evaluated. But the event is worth not only evaluation, we must also reflect seriously upon paths which the trade union movement will follow in Russia (and not only in Russia) and how it will affect the lives of Russians in the final analysis.

It was a sunny morning and one half hour remained prior to the opening of the congress. One of our number, along the way to the Spasskiy Gates, encountered on Red Square a people's deputy of the USSR to trade union councils and member of the Supreme Soviet, N.I. Gutskalov from Murmansk

"Are you going to the congress?"

"No, unfortunately," stated the people's deputy, "I wished to, but today we are discussing the mechanism for the republic's possible withdrawal from the union. As you can well understand, this is a very urgent and important question."

"What is your personal position in this regard?"

"I believe we must develop a package of laws which will allow us first of all to create a strong union of strong republics. I believe that the constituent congress, provided one of its results will be trade union self-determination, represents one of the stages towards strengthening the sovereignty of Russia and its true revival."

Yes, it happened that the Supreme Soviet discussed at this time, albeit in a general manner, the new principles for a union agreement and at the same time in the Kremlin the participants in the congress opened the path leading to self-determination for the trade unions of Russia. This quite possibly could be evaluated as a simple coincidence. But in our opinion it would be more exact to view it as a reflection, so to speak, of a leading trend, "the latest news."

And it is not surprising to note that the radicalism and decisive mood of the delegates who have gathered together from all ends of Russia are being manifested in a highly agitated tone and degree of confusion. Lines from Tyutchev and Nekrasov have been quoted from the tribune and at times the debates held in the hall of the Great Kremlin Palace acquired the aspects of a meeting: whose recommendations were vigorously welcomed and whose words were drowned out? Was there a shortage of patience and "parliamentary culture?" Beyond any doubt. But this was not the only consideration. It was as though all of the headaches and chronic problems of the great republic and its workers had taken on a voice.

The ravaged Russian fields, which formerly were known to the entire world for their wheat and flax, buckwheat and rye, today are unable to feed the Russians themselves or the citizens of industrial centers, who breathe in

tons of coal dust and the harmful discharges from smokestacks. They consider themselves lucky if they are able to obtain a small-scale panelled home or purchase a piece of barely edible cooked sausage. It is a well known fact: Russia's export volume exceeds its import volume by 13 billion rubles annually, but the republic itself receives only 400 million from earned currency. Or there is still another figure which does not require commentary: an average of 23 kopecks is allocated annually for medical services for each resident of the Russian Federation.

Almost all of the speakers cited specific facts and figures which serve to confirm that there is no place in Russia where "Russian men do not suffer." But we are limited insofar as mentioning this fact. To compute who lives by what means or who earns more—this is an unproductive exercise. During the years of the Stalin-Brezhnev regime, there was not one group of people who became rich and very few even approached a civilized life. And judging by the speeches and the mood of the delegates to the congress, our RSFSR workers must rely primarily upon their own strengths, while obviously reinforcing—on the basis of equal conditions—their contacts with other republics.

However paradoxical it might seem, when viewed against today's slogans, nevertheless Russia needs a strong center for its revival. A strong government and a strong "opponent" in the form of independent trade unions. But, we will not furnish our own evaluations; rather, we will report that which was stated frankly and with pain by the chairman of the RSFSR Council of Ministers, A.V. Vlasov.

Thus, he noted that in the law which defines the work of the RSFSR Council of Ministers there is not one point in which the word "solves" is written—but rather the words "coordinate" and "participate" appear. Only four percent of the Russian enterprises are under the jurisdiction of the Russian government. Either AUCCTU disregarded, or simply did not have time for Russian affairs, but as A.V. Vlasov has said, relying on his one and a half years experience as a premier, between the government and trade unions there still exists a "dead wall." For one and a half years, not one basic or large-scale question associated with the joint activity of trade unions and the government was examined.

Even these arguments, it is hoped, convincingly confirm the need for creating a trade union center for Russia. In this regard, there should be no surprise over the fact that in the appeal of the Constituent Congress, addressed to the 1st Congress of RSFSR People's Deputies, a statement is made concerning the need for forming a strong competent government.

Perhaps the conclusion will seem harsh to some, but after listening to discussions during recesses over a period of three days, we became convinced that the people who had assembled in the hall no longer believed

in the "helping hand" of Moscow, the active compassion for Russia of a capital preoccupied with union problems.

The history of the Russian trade unions began with the October strike of 1905. True, having become the "driving force," they decolorized this part of their history to a "white spot" (or "grey"?). One would like to believe that, by voting on 22 March 1990 for the creation of the RSFSR Federation of Independent Trade Unions, the delegates to the Constituent Congress opened up the way for revival.

The results of the voting were surprising. They were not altogether unanimous and yet a majority, or more than 90 percent of the congress, voted for the federation. The decision was a bold one if only because the idea appeared only recently. In any case, the Rossovprof [Russian Trade Union Council] was subsequently elected based upon the new principles (direct delegation from the regions and branch trade unions). This organ, traditionally the usual one for trade unions, continues to remain in the other republics.

But further thought leads to a realization that boldness is truly manifested not in the rapidity of the solution but rather in its essence. Indeed, the federated principle for unification is based upon voluntariness. It dictates the chief principle for operations—and not even a "democratic" centralism.

There is still one other aspect. The title for the Russian trade unions now includes the term "independent." From a realistic standpoint, how strong is this label? Before passing judgement on the term, allow me first to mention a meeting which took place during the congress. We were approached by the chairman of the trade union at the Novozybkov Sewing Factory, V.M. Mosyagina, who mentioned the grief sustained throughout Bryansk Oblast as a result of the accident at Chernobyl. At the present time, much is being said and written about the misfortunes of the Ukraine and Belorussia and yet many remote Russian areas are suffering to an equal degree by virtue of the fact that they have been bypassed by glasnost and are receiving no assistance from the union or republic organs. And indeed here, in the zone of a "strict regime," there are thousands of women, children and elderly persons. Unable to conceal her tears, Mariya Vasilyevna went on to say:

"Wherever we turned—to the government, the AUCCTU or to the deputies—our efforts were in vain. Is it possible that the Russian trade union will provide some assistance?"

No, Mariya Vasilyevna, it will not help so long as it continues to keep pleading intonations in its future activities, intonations which for many years have been characteristic of the trade unions. A peculiarity of the present time is the fact that each individual has a different understanding of democracy and glasnost: rank and file workers—as the right to speak the truth regarding one's needs and problems; staff bureaucrats—

as the right not to respond to these speeches. People should not persuade or beg, but demand what is due.

Thus, there is every reason to think that the new trade union center of Russia will operate in accordance with the new conditions and truly independently of party, state and economic organs, primarily because of the fact that independent trade unions are based upon the principle of complete dependence—dependence of the elective organs upon the will of “lower organs” and primary organizations. They delegate their representatives to leading organs, they recall them, and they decide the question as to who must be included in a trade union in the Russian Federation or who can operate in an autonomous regime. And this means that the many “voices”—and indeed this includes the rank and file workers—will be heard at all of the trade union “levels.”

One particular fact is rather notable in this regard. A recommendation was made to maintain the management of the federation and the staff of its council using money earned through economic and commercial activity and not by means of withholdings from trade union dues. But no, the delegates objected. We must maintain them and pay their wages, stated the speakers. Otherwise, they will forget who they are serving.

The freedom of Russian trade unions to be, or not to be, part of the Federation creates one more new quality: trade union pluralism. During the congress, it was manifested in the fact that representatives of informal organizations, which declared themselves to be trade unions, were invited, including the politicized “Sotsprof” and the “Shchit” Union.

True, we made the following interesting observation. After the chairman of the Coordination Council of the “Sotsprof” Association, S.V. Khramov, was given an opportunity to make a statement, the work of the congress was no longer of interest to him. All of the remaining time he spent in the press center and the impression was created that he had given more interviews than all of the remaining trade union leaders taken together.

It would not have been that bad, but there was another aspect to this problem. His words, directed into the dictaphone of one of our colleagues, were widely heard: “The leaders of the AUCCTU are expressing some beautiful words here.” It is believed that such an approach—mutual accusations—nevertheless is unproductive. The new Russian trade unions have not turned away from the others. Although they are small associations, they appear nevertheless to be wiser, creating healthy competition in the work of protecting the interests of the workers.

Indeed, the number of social problems will not decrease in the immediate future. To the contrary. The gates of the economic market will be opened wide any moment and could lead to a jump in prices and the opening once again of a labor exchange for unemployed workers (abolished more than 60 years ago). There is no need to

frighten or to be frightened. We must anticipate and act in the interest of neutralizing social expenses to the maximum possible degree.

Our colleagues from publishing houses, who only now are acquiring interest in trade union subjects, are one after another asking us the same question: “Thus, have the trade unions of Russia left the AUCCTU?” It was necessary to explain that it is not possible to “leave” the AUCCTU, since this is not an association. The AUCCTU is an elective ruling organ that is modeled after and similar to the party. In any case, it was created with this in mind. Let us assume it is possible to recall one’s representatives or to make some loud statement regarding “demarcation,” but will this not be simply a mass political speculation? Indeed, the AUCCTU, in representing the members of trade unions and exerting influence upon the government and even the Supreme Soviet (in which we have already had the possibility of being convinced), may accomplish more, if you please, than all of the meetings taken together. We must ensure that it does this.

But there are reasons to fear that the restorative processes in the trade union movement not only of Russia but of other republics will conflict with the structure of the center, which has developed with the passage of time and which is borne out by a photograph, for example, of the chairman of the AUCCTU, N.M. Shvernik, in his full army command uniform.

Beyond any doubt, the creation of a federation of independent RSFSR trade unions is an event which will stimulate the processes of renovation, the principles underlying the creation of a trade union center for the country and its operational methods. And the chief problem, certainly, is not the fact that 17 workers attached to the Organizational Department of the AUCCTU will be left jobless. We are talking about the necessity of creating an association of branch and republic trade unions. Whether this will be a federation, association or union—the essence of the matter does not lie in the title. The essence has to do with the fact that within the trade union movement the dictate of the center will be replaced by the dictate of the trade union masses and the country’s trade union center will be directed towards fulfilling the social order “from below.”

The delegates to the Constituent Congress were informed of this by the AUCCTU chairman, S.A. Shalayev. He supported the idea of bringing the schedules for conducting the 19th Congress of USSR Trade Unions closer together.

Hopefully, having convinced even skeptics of the importance of an all-Russian forum for the republic and the country, we would nevertheless like to mention the following circumstance. A final evaluation of this event can only be furnished by the millions of Russians who have grown tired of waiting for high quality changes in their lives.

RSFSR Union Federation Plans Published

904F0122A Moscow *TRUD* in Russian 3 Apr 90 p 2

[Editorial report: "Fundamental Principles of Organizational Structure and Activities of the RSFSR Federation of Independent Trade Unions"]

[Text]

General Provisions

The RSFSR Federation of Independent Trade Unions (FNPR) is a voluntary union of RSFSR trade unions, USSR sectorial trade union organizations operating in the republic, regional inter-union trade union organizations, and other occupational formations of workers for the purpose of consolidating actions to protect the legitimate rights and general interests of working people.

The federation is independent of state and economic bodies and political and public organizations, is not accountable to them, and is not under their control.

The federation is a component part of the country's unified trade union movement and actively promotes strengthening it on the basis of the commonality of the social and occupational interests of working people. The federation, in the person of the sectorial and inter-union bodies, cooperates with trade unions of other union republics both within the framework of the all-union trade union center (All-Union Central Council of Trade Unions) and on a bilateral basis.

The federation accomplishes its activities within the framework of the USSR and RSFSR constitutions and Soviet laws and, in accordance with these principles, supports the formation of a rule-of-law state, advocates strengthening the economic and political independence of the Russian Federation, and promotes the spiritual rebirth of all peoples of the republic.

The federation structures its activities on the following principles:

- voluntary joining of the federation and the freedom to leave it;
- equal rights of the federation's members;
- independence of the federation's members in their activities;
- collectiveness and openness in the work of the federation's governing bodies and their accountability to the member organizations;
- respect for the opinion of the minority and its right to protection and explanation of its position;
- solidarity of member organizations in implementing the goals and tasks of the federation.

Federation Members

The federation is open to all trade unions and professional associations which recognize its goals, tasks, and principles of activities. Trade unions in the RSFSR, USSR sectorial trade union organizations operating in the republic, regional inter-union trade union organizations representing the interests of trade union organizations of autonomous republics, krays, and oblasts, primary professional organizations¹, and other occupational formations of workers created in the Russian Federation² may be members of the federation.

Member organizations have the right:

- to elect their own representatives to the Federation Council, recall them, and replace them;
- to participate through their representatives in the work of the federation bodies;
- to monitor the activities of elected bodies and officials of the federation;
- to appeal to governing bodies of the federation on any questions of trade union activities and receive the appropriate assistance and support;
- to submit draft documents for consideration of congresses and governing bodies of the federation.

Member organizations, guided by these fundamental principles:

- support the activities of the federation;
- carry out decisions of the federation and its bodies, adopted in accordance with these principles, and inform the governing bodies of the federation about their activities;
- pay membership dues.

Member organizations mutually recognize the trade union membership of workers and maintain that membership during transfer from one trade union to another.

Admission into the federation is accomplished by the plenum of the Federation Council based on the decision and written appeal of member organizations. If admission is rejected, this issue may be submitted for consideration of the federation congress or conference.

A member organization may leave the federation any time it wishes, informing the Presidium of the Federation Council of this within at least three months. The Presidium determines the terms of financial and property settlement and informs the plenum of the Federation Council of the grounds for the decision made.

Member organizations not observing the principles of the federation or acting to the detriment of its interests and goals can be expelled from the federation. Decisions on expulsion are made at the plenum of the Federation Council by secret ballot by a at least a two-thirds

majority of the council members voting, provided there is a quorum. A member organization expelled from the federation has the right to appeal to the federation congress or conference.

Supreme Bodies of the Federation

The congress of the RSFSR Federation of Independent Trade Unions, which is convened at least once every five years by the Federation Council, is the supreme body of the federation. Announcement of the convocation and agenda of the congress is made at least three months before the congress. The representation quota and procedure for electing delegates to the congress are established by the Federation Council.

The congress:

- hears reports on the activities of the Federation Council and the Auditing Commission;
- determines the current tasks of the federation's activities;
- drafts and approves the fundamental principles of the organizational structure and activities of the federation;
- confirms the powers of the Federation Council members elected by member organizations on the principle of direct representation and elects the Federation Auditing Commission;
- elects the chairman of the federation and his deputies.

The congress is considered competent if at least two-thirds of the member organizations are represented and at least two-thirds of the elected delegates are in attendance.

Decisions of the congress are considered passed if more than half of the delegates participating in the voting cast votes in favor of them, provided there is a quorum.

Special federation congresses are convened by the Federation Council or at the request of at least one-third of its member organizations. The decision on convening it and on the agenda is announced at least one month before the congress.

A federation conference may be convened by decision of the Federation Council to discuss pressing issues that come up concerning the republic's trade union movement. The Federation Council determines the procedures for holding the conference.

The Federation Council, formed according to the principle of direct representation from member organizations, is the supreme body of the federation between congresses. The representation quota is established by the Federation Council by agreement with member organizations. Member organizations delegate their representatives to the Federation Council at their congresses, conferences, or plenums of elective bodies. They are recalled or replaced by the same procedure. Powers of

newly delegated council members are confirmed by the plenum of the Federation Council. The Federation Council includes the chairman of the federation and his deputies elected by the congress.

The Federation Council:

- expresses and defends the legitimate rights and interests of the workers in bodies of state power and governing bodies of the Russian Federation and uses the right of legislative initiative for this purpose;
- unites and coordinates the activities of member organizations in carrying out inter-union tasks;
- submits to bodies of state power and governing bodies of the republic proposals on working, living, and cultural issues and strives to get them implemented in legislative and normative acts and plans of economic and social development aimed at improving living and working conditions, medical service, and pensions; establishing the principle of social justice and full employment of the citizens of the republic; organizing continuous vocational training and retraining of personnel; and creating a healthy ecological situation;
- studies the standard of living of various groups and sections of the population, strives to steadily improve it, and participates in preparing proposals for regulating the correlation between the population's incomes and the price index for consumer goods and service;
- puts forward to state, economic, and other bodies demands to cancel or suspend actions or to make changes to decisions violating the right and interests of working people and contradicting legislation on trade union rights;
- supports valid demands of member organizations, poses questions of holding referendums, organizes rallies, demonstrations, and addresses in the mass media, and uses other means provided for by legislation to protect the rights and interests of the working people;
- administers social insurance of the working people, directs the activities of trade union resort, tourist, and athletic-sports organizations; handles trade union budget funds under its authority;
- interacts with public associations and movements operating in the interests of the working people;
- provides methodology, organizational, consultative, and legal assistance to trade union bodies, organizes instruction of trade union personnel and aktiv, and conducts inter-union measures;
- examines and settles disputes between member organizations of the federation;
- cooperates with trade union centers of other union republics;

- accomplishes economic activities in accordance with the goals and tasks of the federation;
- approves the structure and staff of the Federation Council apparatus;
- has its own press organ and accomplishes publishing activities;
- informs member organizations and trade union members about its activities;
- develops international ties with trade union organizations of other countries for the purpose of strengthening peace and friendship among peoples and demonstrating solidarity with the struggle of working people for their rights, social progress, and independence;
- accomplishes other functions which member organizations delegate to it.

Federation Council plenums are convened as necessary and are considered competent if more than half of the council takes part in them.

Decisions of the Federation Council are made by majority vote of the council members taking part in the voting, provided there is a quorum.

The Federation Council is accountable to the member organizations and the Federation Congress. To manage the work between plenums, the Federation Council elects a Council Presidium, made up of the federation chairman, his deputies, and presidium members; confirms the secretaries of the Federation Council and creates a Secretariat; and forms standing commissions.

The chairman of the federation and his deputies are accountable to the Federation Council during the period between congresses.

During the period between congresses, the chairman of the federation and his deputies can be relieved of their positions at the request of at least half of the member organizations or on the initiative of the council. The matter is considered at the plenum of the Federation Council. The decision is considered adopted if at least two-thirds of the Federation Council members vote in favor of it.

The decision to relieve the chairman of the federation and his deputies from their duties on their own initiative is adopted by a majority of votes of Federation Council members participating in the voting, provided there is a quorum.

In these cases, elections of the chairman and his deputies are held at the Federation Council plenum by at least a two-thirds majority vote of the Federation Council members.

The Federation Council determines the principle of formation, the powers, and the work procedures of the Presidium and Secretariat.

The form of voting (open or secret) at federation congresses and conferences and at council plenums is determined by the congress or conference delegates and council members.

The decisions of the elective bodies of the federation may not run counter to the rights and interests of member organizations.

Funds and Property of the Federation Council

The RSFSR Independent Trade Union Federation Council manages the funds and properties belonging to it that are necessary to accomplish its activities.

The Federation Council's funds comprise dues from member organizations and income from economic, commercial, and other activities of the Federation Council.

The Federation Council creates a Solidarity Fund to provide material assistance to member organizations in connection with natural disasters, strikes, and so forth. The fund is formed from part of the dues of member organizations, donations, and gifts of organizations not belonging to the federation.

The Federation Council may create enterprises, organizations, and societies, establish a trade union bank, conduct lotteries, acquire shares of stock, and also accomplish other types of activities meeting the goals and tasks of the federation.

Funds of the Federation Council's trade union budget are spent for the needs of the council and member organizations according to estimates approved by the Federation Council plenum.

The Federation Council is a juridical person and has a seal and bank accounts.

Suspending Activities of the Federation

The activities of the RSFSR Federation of Independent Trade Unions can be suspended by decision of its congress. The decision is considered adopted if at least two-thirds of the congress delegates voting cast their vote in favor of it, provided there is a quorum. In the event the federation's activities are suspended, its funds and property are to be used for purposes determined by the congress.

Footnotes

1. A primary trade union organization may be a federation member if the trade union and regional inter-union organization of trade unions to which this organization belongs are not federation members.

2. Hereafter referred to as "member organization."

Growing Problem of Unemployment in Kirghizia Described

904F0120A Moscow SOBESENOK in Russian No 4, Jan 90 pp 8-10

[Article by Natalya Ayrapetova: "Silent Unemployment"]

[Text]

In Kirghizia, it is expressed by the figure of 100,000 people. As life is showing in other regions that were quiet until recently, this city of unemployed that is not on any map can become dozens of "hot spots" at any moment.

No, I do not want to frighten anyone, especially since there is nothing more dramatic than our life today and each day of it. And it is not so easy to intimidate us: these figures—100,000 and 6 million in the country (from 7 to 15 million, according to some data) have no more effect on us than the demonstration of a life jacket a few minutes before the takeoff of an unreliable aircraft.

Our life at all levels, from everyday affairs to the state level, gave us the stable logic and philosophy of firefighters who justify their existence through fires: let it, they say, first catch fire, flare up and really burn (that is nothing, what we cannot get used to is the fact that it burns living people!). And here we show ourselves in all our glory: we will establish emergency commissions, uncover reserves, develop comprehensive programs and find (or confiscate) the funds for them.

The high-ranking firefighters trained everyone including themselves and the country for political urgency, which they, of course, do not pay for: ordinary people pay their overdue accounts. And we are true internationalists in that we all live according to the same saying: until the thunder rumbles....

But the thunder has been rumbling for a long time now—from Karabakh to Vorkuta, from Sumgait to Fergana, from Donets Coal Basin to Tyumen. But we persuade ourselves that the thunder is not rumbling and people are not dying, that "there is an attempt to harmonize national relations," that what we have is just labor disputes but by no means strikes, that we have not had and do not have unemployed, but there was and is a diligent population not employed in the production sphere....

This same "idle population" is threatening the entire country and Kirghizia, where at first glance there is nothing to indicate to you any hidden commotions.

Kirghizia truly appears to be so calm, quiet and cloudless, as though created for tourist brochures: blue sky and tranquil eternal mountains. Here fall is almost spring and the trees stand in the morning lilac-colored fog as if in a blissful dream. In the evenings, it is quiet almost like a resort and birds of paradise sing in the morning.

But Kirghizia is not a resort and this is seen very expressively in the groups of young people not encumbered by a working day and an endless flow of poorly dressed people with a hard life, whether they be the white-bearded old men in galoshes but with their traditional daggers and all the decorations on their chests (as if the decorations can defend them against life), or the women wearing motley handkerchiefs with their immutable bundles and handbags and a permanent tired concern on their faces, or children dressed in some nondescript manner accompanying their parents along the main route of life—to the bazaar.... There are probably others in Kirghizia who are well dressed and solid but I have not seen them. Perhaps they go down other streets, if they take the trouble to walk.

And here without fail they will say that the people of Kirghizia, unlike others, are a calm, modest and even sleepy people, that for them your meetings in the capital and passions are like someone else's dream and that it is clear even from history that the Kirghiz revolted only once and that was back in 1916. Since that time, nothing has happened, they live quietly and not a single Kirghiz, even the poorest, will tell you that he lives poorly; he will always say that he lives well.... They are a quiet people, it is a quiet region and the problems are quiet, including the silent unemployment....

Here they often recall Fergana and how can they not do so, for it is not far away. Here they know about the tragedy not from newspapers, they saw it face to face. Here they understand what idle human hands can do and what heads unaccustomed to thinking are capable of doing. True, they remember Fergana in their own way: noting the common problems, they immediately sweep away the tragic consequences. Arguments? One is: "This cannot happen here, because it just cannot."

Until recently this argument worked irrefutably. But that is enough of illusions. Regions "peaceful" just 2 or 3 years ago, with a secret and obvious unemployment that often became hereditary parasitism, now represent a political and social lava that will not cool. Unemployment here is aligning many other threatening problems in one "graphic" row, in one linked chain: social tension, interethnic conflicts, increasing crime and—in response to the complacent inaction of the authorities—mob law as the main way of thinking and action. It is possible that in a certain explosive situation in Kirghizia, as well, an "enemy" will be found who corresponds to the moment and that the enemy will be the Russians, Uzbeks or Turks—those are mere "details."

Let us recall recent history, something that happened in Frunze in the summer of last year: the seizure of lands. Desperate people saw no other way out than the realization of a grandiose program for a bright future that because of forgetfulness had not been provided for them. On a captured bridgehead, workers, students and young specialists are now putting up officially permitted (after the seizure) "nakhalovki"—by the way, quite neat ones, no worse than those of the state and even under their

own cloth slogan. But this peaceful picture is not pleasing but disquieting to the soul, although, of course, one can be pleased about every individual person who has a roof over his head. But this seizure of land is essentially mob law. Mob law over the land and it could be over people. For when the first refugees from Fergana appeared in Frunze, the shout rang out: "The Turks-Meskets are taking our lands!" And the response, of course, was the placard saying "Our Native Land Belongs to Us!"

The usurpation of the land, only partially resolving the acute housing problem, immediately created a different problem that was much more serious and dangerous—it gave a kind of indulgence to the mass consciousness that said: this is possible. Let us remember that a few days before the landing of squatters in Frunze still another social question just as abruptly became a national question—the Tajiks and Uzbeks are taking our water! The inhabitants of one of the Kirkhiz villages in Osh Oblast (who set records in unemployment and "delivered" more than 60 percent unemployment to the total number of 100,000) armed with hoes moved against a Tajik village and then the population of several Tajik villages rose up to meet the Kirghiz. Thousands of people took part in this "meeting" of two peaceful, calm and modest peoples. Skirmishes, arson, shooting....

It is no coincidence that this took place in the villages.

The Kirghiz have traditionally been cattle breeders, and the Kirghiz working class formed slowly and inconsistently. Essentially there has not yet been a Kirghiz working class: the mechanical filling of the cities with people from the countryside does not qualitatively mean the concept that we have become accustomed to associating with this definition. If often happens that no one occupies the positions that become vacant as a result of the increased migration of highly qualified manpower—Russians and Germans—from Kirghizia. After the Germans left the town of Tokmak, there was a large column of motor vehicles, which suddenly found itself threatened...Kirghiz nationalism! This is the kind of paradox that life presents, especially to the "patriots" who cry: let us drive them all out and it will be good for us! Today the republic needs highly qualified personnel in 200 specialties, despite a surplus of "its own" idle manpower: that is still another paradox, a closed electrical circuit through which the current of high social tension flows every day. The capital of Kirghizia, where there are 22,000 unemployed (including in the suburbs), urgently needs more than 5,000 highly skilled workers, whereby the "hottest" branches are the most strategic directions for any republic: industry, construction, transport and communications, as well as trade and the service sphere (the Uzbeks have long been considered the messengers of Mercury in Kirghizia). But should there not be some kind of lightning rod for this misfortune of unemployment? Otherwise, living people will play this role. But the lightning rod that we have been approaching for so long (almost 20 years) was invented a long time ago. It is the LABOR EXCHANGE. Provided with personnel, equipment and real information on the real market, in

our social and political life it is supposed to be something like an operational seismic service that prevents tragic social breakdowns rather than merely registering their existence. The exchange has a future. No, not the bright future where there is no place for unemployment, but the realistic and rigorous future where it exists and will increase. And the sooner we recognize this reality, the better.

Besides the demographic explosion in a number of regions (led by Central Asia), the ninth wave of unemployment will also grow because of economic innovations: cost accounting, leasing, independence of enterprises—these three whales can easily swallow any young person whole.

The labor exchange must take the place of the poor "centers," "bureaus" and "councils" without rights that no one pays any attention to for one simple reason: they exist for rubles. In these bureaus, precisely the ruble is the maximum value of each person for whom work has been found.

Viktor Vasilyevich Rumyantsev, director of the republic center for job placement, retraining and occupational orientation, thinks that the organization that he directs can become a firm after reorganization. There are still too many problems.

"About 100,000 people go through us every year," says Viktor Vasilyevich. "We find jobs for 50,000 but unfortunately we have no possibility of following up on the fate of each young person. Here we must get help from contacts with the Komsomol. But to be a 'firm' and not an 'office,' we need not only a material base but above all a base of information—accurate and prompt information about the existence of vacancies at each enterprise. Today not a single plant director is interested in providing such information. Why? So that can they can push off on him a graduate of a vocational and technical school or a former prisoner? But the director is not a Makarenko and it is not his job to train people. He has to make money."

In the West, any enterprise manager or head of a firm has legal responsibility for the concealment of information from the labor exchange. Here, however, there is no responsibility, for there is no exchange. This mechanism has not even been developed. But the state must bear material responsibility for the fact that it deprives its citizen of his constitutional right to labor and pay him 100, 75 or 50 percent of his lost wages for the forced "rest." There must also be a status of unemployed (just as there is the status of a refugee who has lost everything, including work).... A law on unemployment is now being elaborated, which, by virtue of our tradition of observing a taboo on uncomfortable words will, of course, be called the "Law of the USSR on Employment." But it is strange, although at the Second Congress of People's Deputies of the USSR it was said about unemployment, especially by deputies from Central Asia, that this was a

"light touching" of a menacing subject, a political anticipation and nothing more. There was no mention of a law or of any program. One of the trade union bosses started out well: "I would like to talk about unemployment...." But then he added that "as a communist and as a deputy" he decided to talk about...the opposition. Well, no need to worry about the opposition: once again, it was stigmatized, and unemployment, which is much more dangerous than any opposition, was ignored.

And in this situation, what about Osh, a kind of "unemployment capital"? Seventy-one percent of the inhabitants of the oblast live in rural areas, and there is nothing worse than "rural" unemployment. And the manpower resources of the oblast increase by 26,000 people annually through population growth.

Yes, in Frunze and Osh, schedules and tables show where every rayon is "described" by shops, plants and small-scale production systems. It cannot be said that nothing is being done: it is planned to establish jobs at the Tash-Kumyr plant for semiconductor materials, at the branch of the Osh Silk Combine in the village of Naukat, and in the shop for the production of fittings at the Khaydarkan Mercury Combine. This vanguard step seems comforting but when you learn that in the village of Batken, for example, they plan to "cover" 18 people and 16 each in the villages of Bazar-Korgon and Arslanbob, then it becomes clear that the net of these schedules is full of holes, that it does not even cover half of the severe "catch" of unemployment, and that Kirghizia itself, just as any other individual region, "cannot handle" this problem. These schedules are only an apparent solution that only intolerably delays the fundamental decision. The "center" does not like it when they point to it. But what can you do, the economy is not the love story "Don't Go...", where one person proclaims his undying love for another. The internationalism of low-level egalitarianism (so that things are equally bad for all) no longer works. And we journalists, not having other representatives "from Moscow itself," asked questions that need to be answered:

—The standard of living of the Kirghiz people is declining. And we sell cotton for kopecks and electric power to our neighbors cheaper than to ourselves. Is this really internationalism?

—The government is taking measures in the Fergana Valley after the pogroms. But how is our Osh Valley any worse? After all, it is right next door. The problems are the same! Should we really wait for another Fergana?

—Kirghizia is sitting on state subsidies. In Russia, they probably think we are loafers. But we simply have nowhere to work!

The last item is quite curious: today Kirghizia is sitting on subsidies. But are the people of Kirghizia really living any better because of these subsidies? On the contrary! And are the old women of Smolensk living well? That is a rhetorical question. So in what kind of an abyss are

they putting the people's money and what is the secret sense of this abyss, that is, the subsidies, if none of the peoples lives better, neither the ones loaning the money, although no one asks them, nor the ones on whose behalf they take it?

During my entire stay in Kirghizia and in all of these considerations, I have heard and I continue to hear a certain question from a past era: "Where is the Komsomol looking?" It was once the fashion to entrust the Komsomol with everything that the "older comrades" could not do.

Of course the Komsomol is "looking" at unemployment and unemployed persons, because this is the most acute problem among young people. It is organizing scientific-production associations, youth housing complexes, youth cooperatives and youth centers, participating in the organized recruitment of labor and local "construction projects of the century," and collecting information.... But is the Komsomol capable of doing what the country itself did not really try to do?

Akylbek Dzhumabayev, secretary of the Kirghiz Komsomol Central Committee, is certain: "In my view, this problem must be dealt with at the government level. And the problem is not being resolved as long as every republic like ours runs in a circle. There are too many loops tied to the center." The main one is the infrastructure of the economy that has been distorted over the course of decades. As long as the dictates of the all-union departments continue to exist, it is difficult to talk about a fundamental solution.

Here is a simple example: a plant of union subordination is built and workers from other regions go there to live and work. But was it really not possible to train the Kirghiz, let us say, at the best plants of Russia? But then we are forced to send people from Kirghizia to Kaluga or to the Far East. In my opinion, if anyone gains from such an "allocation of productive forces," it can only be the railroad.... And that is how it will be as long as there is no concept of a "youth policy" at the state level, although unemployment is a problem that has long since ceased to affect only young people."

Such are the "quiet" problems in quiet Kirghizia. By the way, not just there. The economic situation in the country is such that we urgently need an integral model and an integral and effective program for combating unemployment.

We urgently need a lightning rod for the "silent unemployment." Until the thunder rumbles.

Miners' Union Congress Adopts New By-Laws 904F0127A Moscow *TRUD* in Russian 4 Mar 90 p 1

[Article by A. Kozlov, Moscow: "Soundness Was Demonstrated"]

[Text] The 25th (extraordinary) coal industry workers' trade-union congress seethed for five days, at first in the

House of Unions and then in the conference hall of the USSR Ministry of the Coal Industry. For five days during heated debates delegates searched for ways to solve the sector's urgent problems, which miners had begun to discuss at the top of their lungs for the first time in the course of last year's strikes. The canvas of the congress was torn—sometimes the confrontation of many miners with the Central Trade-Union Committee and the ministry made itself felt and sometimes the audience's ill-will toward the presidium was manifested and suspicion arose among delegates. There were also irresponsible tricks and statements, demonstrative departures from the hall, and confusion on the part of those conducting the congress. Things got to the point where AUCCTU chairman S. A. Shalayev, who was invited to the congress as a guest, was forced to take, figuratively speaking, the "reins" of control into his hands.

Delegates did not want to hear the report on the Central Committee's work, saying that strikes had already given it a grade. M. Srebnyy, chairman of the Central Committee, was permitted to make only a brief report. Yes, the Trade-Union Central Committee worked unsatisfactorily. With a unanimous show of mandates the audience approved the "D."

A search for answers to the following questions became the main subject of discussion: How to go on living, and should the trade union be unified? The threat of a split was manifested immediately after delegates began to come to the microphones, openly stating that they would do everything to disrupt the congress. The matter did not end with words. Some speakers from Inta, Vorkuta, and Krasnoarmeysk constantly provoked those who gathered there. S. Alakhverdiyev, chairman of the trade-union committee of the Khalmer-Yu Mine, threatened the congress, "slamming the door" demonstratively. I. Gurdov, chairman of the trade-union committee of the Vorgashorskaya Mine, left the hall, being hissed by those present. Another 11 people and more left...

However, why did the question of a split suddenly arise at the congress?

At the very beginning of the congress, one of the representatives of the commission created at one time under the Trade-Union Central Committee for controlling the course of fulfillment of the well-known government decree No 608 demanded first to hold the miners' congress, as was proposed in the course of last year's strike, and then to convene the trade-union congress. Why such an order?

V. Vasilyev, chairman of the technical control service of the Komsomolskaya Mine, and A. Fomin, mechanic at a section of the Sverdlovansentratsit Production Association—members of this commission, who were invited to the congress and left it—believed that this made no sense. A platform concerning the problems raised in the course of last year's strike, which in their opinion, were not solved as prescribed, should have been worked out at

the miners' congress and presented at the trade-union congress. Without this here, where "apparatchiks," as well as representatives of other than miners' collectives, not only miners, are present, it is difficult to fully take into consideration the interests of "undergrounders" and to accomplish the tasks set by strikers.

Nevertheless, among the endless statements and emotional speeches at the microphones balanced thoughts were expressed more and more often. Here are several notes from the writing pad.

V. Konovalov, tunneler at the Mine imeni Sverdlov:

"A split should not be introduced into the working class movement."

A. Belozerov, chairman of the trade-union committee of the Mine imeni 19 Syezda KPSS:

"They went so far as to say that the chairman of the trade-union committee was an 'apparatchik.' I am a worker and have been in the mine for 21 years. After the strike I became chairman of the trade-union committee. What kind of 'apparatchik' am I? Incidentally, during the strike the director, the chief engineer, and other specialists were next to us, workers. Now some urge us to dissociate ourselves from them and try to drive a wedge between us."

T. Pupkevich, a leader of a brigade of excavator operators from Estonia:

"It is impossible to solve the problems of 'undergrounders' separately and of stope workers separately. Ultimatums and threats of a strike are not needed. A strike is not a club to be brandished."

N. Pastukhov, an excavator operator from the Yakutugol Production Association:

"Extremist-minded delegates try to push through the idea of establishing an 'independent' miners' trade union. This must not be allowed."

Even Arthur Scargill, president of the International Organization of Miners, president of the National Federation of Miners' Trade Union in Great Britain, who was a guest of the congress, noted in his speech that the Soviet miners' trade union needed unity. "If there are differences of opinions, discuss and overcome them," he said. "If you are dissatisfied with your leaders, reelect them, but do not destroy the trade union and do not split. In the West miners have already gone through this. They have become convinced that employers gain from a split..."

In the end common sense prevailed.

Today the congress is already history. Of course, it is remembered not only for its incompetence, scandalousness, and aggressive intractability of some delegates, or for talks that miners' collectives did not send those people as delegates there and did not entrust the defense

of their interests to them. The chief thing was accomplished: A turn to a renewal of the trade union's work, to constructivism and purposefulness in actions, and to broad independence of primary organizations was outlined.

To be specific, what did the congress decide?

First of all, after lengthy arguments and voting point by point, radical, new trade-union by-laws were adopted. They absorbed everything that was useful from several alternatives brought by delegates from the country's various regions. This document not only affirmed the new name of the trade union—of coal industry "employees" (not workers)—but also defined the new structure of the leading body. Instead of the Central Committee, the Central Trade-Union Council was instituted. The by-laws defined the status of the trade union as independent of state and economic bodies and of political and other public organizations in all the spheres of its activity, not accountable to them, not under their control, and cooperating with them on an equal basis. Broad independence was granted to territorial and primary organizations, including in financial matters. Leading trade-union bodies, including the Central Trade-Union Council, are now elected in the new way, by the method of delegation from localities (this time the Central Trade-Union Council was elected in this way).

After the adoption of the by-laws, essentially, the congress continued its work, comparing its actions with this document. Tasks, which in the miners' opinion, should be accomplished, first of all, in elaboration of the decree No 608, were formulated. The trade union's program of

actions in the sector's social and economic reorganization was outlined and its position on urgent problems of restructuring in the country was expressed clearly. Although these documents were born in pain and with heated arguments, in the end they reflected the position of the overwhelming majority of miners' collectives.

Are delegates satisfied with their work? Apparently, not in everything. The congress dragged on too long. A great deal of effort was spent on arguments, which at times were fruitless, with those who came to introduce a split. Too often delegates did not trust each other in general and those elected to commissions for working out the draft documents of the congress in particular. Too often demagogic proposals were "submitted," which scattered attention and eroded the ideas and formulations of these documents.

However, common sense triumphed over the ambitions and careerist and parasitic inclinations of some "destructively" disposed delegates and over their attempts to ruin the trade union and to cast doubt not only on its present soundness, but, in general, on its capacity for renewal and restructuring. Although the supporters of the miners' congress believed that the trade-union congress would not be able to fully solve urgent problems, it seems that, nevertheless, it attained a great deal. The miners' trade union underwent a difficult test, but it withstood it.

The decisions of the congress will be analyzed in miners' collectives and in primary trade-union organizations and will be interpreted. Life should confirm their value and effectiveness. The decisions and documents adopted by the congress give reason to believe that today the trade union has everything that is necessary to restore the trust of the sector's workers and to conduct a strong and independent policy.

CIVIL AVIATION

Aeroflot Shortage of Aircraft, Ground Support Cited

904H0167A Moscow *PRAVITELSTVENNYY VESTNIK* in Russian No 2, Jan 90 p 8

[Article by Yu. Yurkin, deputy minister of civil aviation and candidate of technical sciences: "Why the Airport Does Not Accept: Every Year 18 Million Persons Cannot Fly With Aeroflot"]

[Text] Alas, there is no decline in the demand for air service that is not being met. And it is not only that there are not enough aircraft—this is only one aspect of the problem. There is another side as well—the sector's insufficiently developed material and technical base on the ground. After all, aircraft cannot be operated without the entire range of ground support facilities—navigational aids and lighting equipment, repair plants, cargo warehouses, and hangars. And the "land" problem is primarily the problem of airports, all the same.

True, many airports have been built, expanded, renovated, and technically reequipped over the past two five-year plans. Some of them have been taken out beyond the limits of construction in cities under development—in Frunze, Kazan, Krasnoyarsk and Minsk, for example. There are more airports that can accommodate Il-62, Il-86, Tu-154, and Yak-42 aircraft. Air traffic safety has improved by more than twice as much over these years. Nevertheless, the rate of increase in air transport volume is far in excess of the rate of growth of the ground's material and technical base, which is becoming obsolete.

Here are several figures which clearly show how the sector is provided—or more precisely, not provided—with the most important facilities. We have 19 percent of the hangars we need, 72 percent of the aircraft repair plants, 85 percent of the airports, 66 percent of the aviation fuel facilities, and 70 percent of the air traffic control, navigation aid, and landing systems that are necessary. The situation in passenger and cargo services is even worse: the throughput of air terminals is just 53 percent of the norm, we have 52 percent of the hotel accommodations needed and 46 percent of the production areas in cargo complexes that are needed. In a word, the capacities of existing buildings and facilities must be doubled.

There are also very high territorial disproportions in the development of the ground's material and technical base. Airports in Siberia and the Far East are small and poorly equipped, and the capacities of individual buildings and facilities at airports in the Moscow hub are inadequate.

Another shortcoming is the lack of complete facilities in the development of airports. Certain airports have modern runways and taxiways, but the air terminals must be expanded and modern hotels must be built, for

example. All this interferes with smooth operation, it affects the enterprises' economic indicators, and makes it difficult to utilize advanced technologies.

Ground support facilities in aviation are extremely expensive. For example, the cost to build large, up-to-date air terminals comes to several tens of millions of rubles and runways cost 15 to 20 million rubles. Analysis of just the sector's priority requirements has shown that capital investments should be three times more than the limits for construction and installation operations allocated for the five-year plan in order to develop ground support facilities successfully.

Construction ministries and departments have repeatedly disrupted and delayed the periods for commissioning facilities and have scattered their resources over many construction sites. The result is an increase in "unfinished construction." The USSR Ministry of Transport Construction, our principal contractor, has not once fulfilled its commitments to the Ministry of Civil Aviation in the past three years. The ministry lagged behind the planned targets last year as well.

It has become customary for the construction of projects in the production and social area and other facilities to be carried out in 10-year periods. Over this period there is time for the equipment, which was ordered in accordance with the standard length of time for construction, to become unfit for use. By the time the buildings and facilities are put into use, they do not accommodate the increased volume of transportation and become obsolete.

For example, the boiler house at Vnukovo Airport has been under construction for 12 years. The hangar for painting aircraft at Plant No 400 of the Mosstroykomitet has been under construction for 14 years, and the new Minsk-2 Airport, begun in 1977, has not been completed. The Ministry of Transport Construction is undertaking renovation of the runway at the Sheremetyevo International Airport over 4 years, and not a day sooner. But the French firm (Chantier Moderne) offered to perform this same work much faster. There are as many examples of this kind as you could want.

Some projects were included in plans under pressure from party and soviet organs. As a result, capital investments have been given priority to important projects, but not the most important ones. So at airports which serve the major transportation hubs, the throughput capacity of their buildings and facilities was exhausted long ago. For example, the air terminal complex at Domodedovo ceased to cope with its tasks as long ago as 1975-1976. At the same time, the Ministry of Civil Aviation cannot begin construction of a new terminal because of the limited capital investments.

The general plans of many cities were developed without taking the development of airports and their affect on the city into consideration. As a result, a critical situation developed and the public's dissatisfaction was intensified. We can understand the residents—they are

upset by the noise and they are subjected to the effect of radio frequency emissions. Very strong pressure is being put on the Ministry of Civil Aviation by citizens and party and soviet organs with demands that airports be moved to a new location. They are demanding this in Dushanbe and Irkutsk, at Bykovo in suburban Moscow, in Tashkent, Kharkov, and Odessa, and in many other cities. However, in approaching the airports few persons think that moving each one of them requires vast sums of capital investment: 300 to 500 million rubles, and even more.

Employees of the Ministry of Civil Aviation understand and are aware of the complexity of the problems which have accumulated for many years and which are being raised in the press, in the inquiries by people's deputies, and in the numerous complaints and appeals from citizens. Work to specifically eliminate the causes of the disproportions which have developed has now been expanded. A long-term, scientifically grounded, comprehensive program to develop the ground's material and technical base and social projects in civil aviation for the period up to the year 2005 has been drafted for the first time in the sector. It not only specifies the capital investments that are needed, but establishes the priorities in building individual facilities and the goals, directions, and most important steps in developing "the land," taking into account the need to meet the public demand and the national economy's requirements for air transport to the maximum extent.

The program is to be carried out in two stages: in the first stage (up to the year 2000) it is planned to overcome the disproportions that have taken shape between development of the material and technical base for the sector's ground support and the fleet of aircraft; to build, renovate, expand and technically reequip the production facilities intended for the operation of advanced mainline and widebodied Il-96 and Tu-204 aircraft, as well as Il-86, Il-62, Tu-154M and Yak-42 aircraft; and to provide for priority development of the material and technical base for airports in regions of the Far North, Siberia, and the Far East.

In the second stage, construction of facilities for the ground's material and technical base will be continued and brought up to a standardized level. It is planned to increase the throughput capacity of air terminal complexes by 2 to 2.5 times as much by the year 2005, to renovate the existing ones, and to build 20 runways for use by aircraft of the Il-96, Tu-204 and Il-86 type.

It is proposed to shift to landing systems in the microwave band which meet the requirements of international standards and to equip 17 international airports with these systems by 1995. It is planned to replace and modernize existing radio aids, lighting equipment, and electrical communication facilities and to improve the quality and reliability of the power supply for airports. The program provides for the establishment of specialized maintenance centers for Il-96, Il-86, Tu-204, and Il-62 aircraft at 10 airports, and a great deal more.

It is especially necessary to mention the environmental protection measures aimed at increasing the reuse of water for technical needs at aviation enterprises. It is proposed to put a complete stop to the discharge of contaminated waste water into open ponds and to provide for the recovery and neutralization of solid particles and chemical compounds from ground support sources in the atmosphere. This will improve the ecological situation at aviation enterprises and the areas adjacent to them.

Implementation of the program would make it possible to bring the sector's ground support material and technical base out of a disastrous situation. Capital investments are very substantial (about 7 billion rubles), of course, but the goals that have been set are extremely important. But even this program will not make it possible to bring the sector's ground support material and technical base up to the world level. Today, for example, the standard area per passenger in planning our air terminals is 1.5 to 2 times less than international standards and there are nine times fewer airports in a precision approach category than in the United States.

To a certain extent, the sector's current organizational structure is preventing the disproportions between the ground support base and the fleet of aircraft from being eliminated. There is no economic incentive at present to develop "the land," because the funds for ground support have not been separated from those for the fleet of airplanes and helicopters. "The ground" does not produce a product, and under cost accounting conditions, increasing ground support funds leads to unfavorable results in an enterprise's economic activity—it decreases the output-capital ratio and increases operating expenses and payment for the funds from the enterprise's profit.

In order to rectify these contradictions, we must develop an economic and organizational mechanism in which the sector's ground support funds are recovered by being a direct source of income. One of the possible ways is to separate ground support funds from the aircraft and helicopter fleet. An airport is separated from a flight detachment, and both structural units are given the status of state enterprises—an airport and an airline. Their continued activity is in accordance with the Law on the State Enterprise.

With the shift to regional cost accounting, this structure makes it possible to transfer some of the airports to local soviets of people's deputies as in a number of developed capitalist countries, where airports belong to local municipalities, as a rule. The USSR Ministry of Civil Aviation can manage the airports, as it does now.

Giving airports the status of independent enterprises will significantly increase their responsibility for their financial condition. For example, the financial stability of large airports in Western countries is determined to a significant extent by the incomes received from air terminal complexes. The profit from automobile parking and leasing accounts for more than half of these incomes.

Restaurants, bars, commercial services and sources of this type account for more than one-quarter of the air terminals' profit. Incomes of this kind account for no more than 1 percent of the profit at our airports. But if they shift to self-financing, the major airports will receive a sizable profit.

Misuse of Vnukovo-2 VIP Airport Charged
904H0167B Moscow RABOCHAYA TRIBUNA in Russian 17 Feb 90 p 2

[Article by Aleksandr Nadzharov: "Air Privileges: How and For Whom the Special-Purpose Vnukovo-2 Airport Is Being Used"]

[Text] Moscow—By the time this passenger had arrived at the airport, a large airliner was ready for departure. And the long black limousine had barely left the ramp when an appropriate entry was made in the "departure authorizations log" and the controllers cleared the Moscow air traffic zone at the aircraft commander's request.

This means that dozens of aircraft, including those running out of fuel, had to hold at a respectful distance from the capital for a considerable period of time. Finally, the aircraft with its single passenger and a dozen guards took off. But for hours more, the ones who were controlling air traffic, making every effort to cope with the disrupted schedule for aircraft in several regions of the country, had a time problem. But that same airliner returned to Moscow empty...

Who was the mysterious passenger? We will return to the answer to this question. Although I am certain that civil aviation pilots already know what is being referred to, in fact—Aviation Detachment No 235 and Vnukovo-2 Special-Purpose Airport. For its special conditions of service, the quality of its equipment, and the special forms of maintenance this airport is called "the tsar's stable" at all the country's airports.

Almost daily, when we turn on the television, we see the "Vremya" program showing the routine ceremonial ritual of meeting (or seeing off) our country's guests of honor (or important guests). Sometimes, in addition to the guests and the persons accompanying or meeting them, the expensive furniture, carpets, and other accessories of the special air terminal's interior accidentally show up on the screen. Journalists are seldom permitted here. But for A. Timofeyev, the chief of the Vnukovo Production Association, who is formally in charge of the airport, entry here is restricted, in his words. Why?

This is why. It is common knowledge that the top leaders of almost any country are compelled to take the requirements of a routine into account. It is also understandable: there are still quite a few resentful persons, terrorists, and those who are simply mentally ill in the world, unfortunately. "Important" names are a distinctive center of attraction for them. So parliaments and governments have been forced to approve decrees on special security measures. And they include separating these

persons from ordinary passengers and restricting outsiders' access to them. In our country, all this is regulated by a special decree of the USSR Council of Ministers.

In addition (here I risk offending those who are fighting for social justice), there are also certain privileges which are directly associated with the prerogatives of power. A president's aircraft, the residence of a prime minister, an escort of honor—all this is to emphasize respect not only for a head of state, but primarily for the country which he represents and the people who elected him to the high position.

This is beyond question, in my view. But why are there third or, let us assume, fourth persons in our hierarchy here, including their relatives? After all, it is they, and not the chairman of the USSR Supreme Soviet or a head of state, let us say, who are the most frequent guests at Vnukovo-2.

Although frequent is not the right word here, perhaps. As an example, on 13 February the airport was busy serving just three passengers: Queen Sophia of Spain; V. Ivashko, member of the Politburo of the CPSU Central Committee and first secretary of the Ukrainian Communist Party Central Committee; and V. Medvedev, member of the Politburo of the CPSU Central Committee. On this day, Vnukovo-1 handled 106 flights—about 10,000 people—with almost the same fleet of aircraft. Hundreds and hundreds of persons were unable to get the flight they needed.

I want to be understood correctly. I am by no means advocating that a head of state or even a member of the Politburo be pushed into a hectic crowd of persons standing in line for tickets. Although it would probably be worthwhile for them to see it once. Real matters of state require special traffic conditions, of course. But not one country in the world has thought of the idea of keeping an entire airport for this. Where does the President of the United States depart from on flights abroad, for example? Andrews Air Force Base. And the British prime minister? From the (Brice-Norton) RAF Base. Secrecy and security is maintained up to standard at military bases. But our leaders? Even with the availability of a considerable number of suburban Moscow airports that are closed (even if we take only the best known one at Zvezdnny Gorodok), they prefer to fly from Vnukovo-2 even for a vacation.

However, are these leaders to blame for this if we take into account our historical tendency toward servility, reinforced by decades of Stalinism? The 235th Special Detachment appeared in the early 1950's. The Vnukovo-2 air terminal was an "achievement" of the early 1960's. But as a whole, all this embodies what should have been given up a long time ago, in my view.

Judge for yourselves: there are often 42 airplanes and eight helicopters standing idle at Vnukovo-2, while next door at Vnukovo-1 there are 58 aircraft altogether, loaded to the limit, of course. And if we compare the number of passengers at each place? Vnukovo-2 is often

inactive for weeks. And although a certain number of aircraft are engaged in carrying other passengers during this time, the workload of this airport is much lower than that of Vnukovo-1.

They say that the idea of building a new international airport in Moscow is being seriously discussed today. The country's rapidly growing international relations and the increasing emigration—why conceal it—put thousands of persons in very long lines for tickets. A bribe for the chance to leave for the United States, according to available reports, is a four-figure sum. We need a new airport with its own fleet of aircraft.

Pardon me, but all this is exactly what Vnukovo-2 is. What is preventing us from putting it into normal operation, saving hundreds of millions of dollars in the process which otherwise would have to be given to foreign firms, since it would take longer and cost more if we built it ourselves? Nothing is preventing us except the unwillingness of the managers of the Ministry of Civil Aviation to raise this question at the appropriate level. But how? You will see persons here whose privileges would appear to be threatened who notice the inability to put things in basic order in Aeroflot and even the lack of simple hygiene, which has truly become a national disgrace here. And no less a national victory for members of cooperatives. Finally, the powers that be will note all this again, and will demand that a chance be given to more capable organizers.

There is one more reason for the unwillingness to change the state of affairs. And it is concealed in the midst of the 235th Detachment. In my view, the privileges of those who are flown have proved to be contagious. Indeed, why is some person receiving additional blessings, literally before your eyes, but there are no indulgences for you? And here the flying workload is reduced and the "specialized clothing" is sewn separately. It truly makes a person faint.

When I frankly expressed my doubts to one of the managers of the 235th Aviation Detachment, one who wanted to remain unidentified, as this is customary now, he just smiled:

"Well, who told you that our pilots earn a great deal?"

"But how much?"

"A little more than half the earnings of a pilot from Sheremetyevo-2."

In my view, the time has come for the Sheremetyevo pilots to smile. After all, all of Aeroflot knows that even if a pilot in the 235th Detachment accrues just 5 hours a month, he is still paid six times more for the time—this is a "guaranteed norm" for him.

As far as the notion of turning over the terminal building to ordinary passengers is concerned, the unidentified manager said more seriously:

"This is impossible, because there is expensive furniture there and we need to build special accommodations for the customs service and the frontier guards."

I don't know about the furniture, but the accommodations for the detachment headquarters are not notable for asceticism, either. But there is no arrival and departure control here—something that is really serious. The stewardesses here still fondly recall how Brezhnev's intoxicated son-in-law handed out expensive watches engraved "For excellent service in maintaining public order" to crew members during a flight. If there had been a normal customs procedure at the airport, he simply would not have been admitted with all those watches.

Or another example. One of our prominent ministers once put the persons accompanying him in an awkward situation, suggesting that everyone go through customs at Sheremetyevo-2. The minister showed his suitcase to the customs inspector first—and he proved to be one of the few who received an "all right" from customs. Are the officials in his discredited retinue serving somewhere now? After all, it had been customary for them to land with their boss at Vnukovo-2, where there are smiling glances from obliging personnel instead of a strict inspection.

Yes, the notorious stagnation left us a legacy of a great deal that was amazing for its unaccountability. In this case, perhaps, questions arise most of all about who is paying for Vnukovo-2 to exist. To hear its managers, an airport where dozens of crews and nearly 1,500 other souls are working is satisfied only by the Holy Ghost. In fact, there are two buildings for the administration which are being leased for a sizable sum from Vnukovo-1, they say here. The contents of the air terminal cost a pretty penny too, we must assume. Although who is paying for this is also "a state secret." And the security? And its own aircraft maintenance base, navigation department, accounts office, and personnel?.. All the expenses are covered by the enterprise's funds (count the funds of Vnukovo-1), funds from the Ministry of Civil Aviation and the state budget.

All this could be adequate for two aviation enterprises, of course. But independence and freedom are more expensive than money, and there is none, anyway, since a passenger here does not pay for tickets out of his own pocket, as a rule. The organization in which he works pays, they say. Though not too lavishly—from 550 to 2,300 rubles per hour of flight. But even for this money, taken from some unknown accounts, a special Tu-134 flight with one passenger, followed by an entourage for the New Year holidays in Mineralnye Vody, let us say, costs the state many times as much.

I do not think we will soon be able to experience the feelings of a person in a spacious cabin of a new aircraft, which is under a plant warranty and which gives one a certain confidence and the heartfelt desire to exclaim during a flight: "Fly Aeroflot Special Aircraft!"

After a day, a fresh crew consisting of pilots who meet the strictest international requirements flew an empty aircraft to bring back the vacationing passenger. He sat down in the aircraft with his security people. In a couple of hours the aircraft touched down softly at the Vnukovo-2 Airport. Yevgeniy Maksimovich Primakov, the chairman of the Privileges Commission of the USSR Supreme Soviet, came down the ramp. Beginning his work, he voted for a sharp reduction in the number of personal motor vehicles.

Aircraft Design, Production Obstacles Noted

904H0167C Moscow *IZVESTIYA* in Russian 25 Feb 90
Morning Edition p 2

[Article by S. Leskov: "Obstructions on the Runway, or Why We are Concealing the Fate of Major Engineering Plans"]

[Text] "Fly Aeroflot aircraft!"—this cheerful poster is not seen as frequently now, but not because of modesty. Our civil air fleet, the largest airline in the world, has encountered almost insurmountable obstacles: tickets and additional flights are an insoluble problem, up to 50 percent of the aircraft are sometimes idle at airports, and there are not enough funds for even the most urgent problems, but every year Aeroflot leaves 20 million of their potential passengers without tickets and incurs huge losses of up to 2 billion rubles... There are many reasons for the unenviable situation, and in the experts' opinion, the most important one is the problem of domestic engine manufacturing. Let us try to trace the features of our technical policy, with the example of civil aviation, which inevitably lead to a crisis in one sector after another.

It is common knowledge that Aeroflot recently concluded an agreement to lease several spacious A-310 widebodied aircraft, made in Western Europe. Normally foreign trade operations are a source of satisfaction for us, but in this case something put us on the alert. Nevertheless, we have always been proud of our aircraft; we did not need to import them, but we sold them successfully...

The need for airbuses of the A-310 class became apparent quite a long time ago. In 1987, as planned initially, Aeroflot was to receive the first batch of Il-96 aircraft with NK-56 engines, prepared for passenger service, from the Ministry of the Aviation Industry. Because of the disastrous delay at many points, the times and even the concept of the aircraft were reexamined, and the current goal was much less exacting: all testing of the new aircraft, but with another engine, was to be completed in 1990. And now 1990 has come. During this time one minister of the aviation industry, I. Silayev, was replaced by another one, A. Systsov. But where is the airliner that was promised? At this point, flight tests have been begun with the single nonseries Il-96. A whole range of tests lie ahead—refinement, plant, state, and operational testing. Officials of the Ministry of the Aviation Industry assure us that they will make up for

the lag with shock work, at least by 31 December, but they will turn the airbus over for operation. Fine plans—the usual thing for us, and it remains only to believe them this one time. Though the experts are overcautious: 85 percent of the tests on the Il-96 have not been completed, and if they allow us to hope for 31 December, the minimum will be 1992. And it will take several more years to turn out the aircraft.

Why is the schedule continually being disrupted? What are the difficulties that plague the aircraft builders? V. Ivanov, deputy minister of the aviation industry, and I. Katyrev, the aircraft's chief designer, agree that along with the lack of on-board equipment, the biggest problem is with the PS-90A engine, which they cannot manage to bring to the parameters assigned. The engine is hidden from the eyes of the faultfinding passenger, but for the specialist, it is precisely the engine parameters which determine the quality of the aircraft. The well-known line in the song, in which a "fiery engine" is equated with the heart, is not only a fine image but the essence of the problem as well. It is precisely for this reason that the largest concerns in the world—General Electric, Rolls-Royce, and Pratt and Whitney—are untiring with new production and testing capacities; this is an essential condition for success. But here in the USSR the songs were being sung, but not one plant was built after the war to manufacture aircraft engines. It was inevitable that the time will come when the heroic administrative efforts are exhausted, they will reach their limit and will not be able to keep the sector on a world level. But to our great regret, we were not accustomed to looking ahead; in the pursuit of momentary planned achievements we were satisfied with the gradually decaying base stemming from the industrial spurt of the 1930's.

What we are rich in is talent. There are several aircraft engine KB [design bureaus] in the country which are recognized for their engineers' skill throughout the world. There is implicit competition among these design bureaus, and there is nothing bad about rivalry. The competition is not expressed by disparagement and criticism of their colleagues' achievements—this is considered a violation of professional ethics. The competition is in seeking to obtain an important state order and to fulfill it, without injuring the prestige of one's own firm. Yes, but which one is to be favored if the contenders have roughly equal capabilities? For almost the first time in the history of aircraft engine manufacturing, the solomonic decision was made to hold a competition to develop the engine for the Il-96. Two prestigious engine design bureaus—one in Perm, headed at that time by P. Solovyev, and one in Kuybyshev, which is still headed by N. Kuznetsov, the elder of domestic engine building. The design and development of modified engines, named the PS-90A and NK-64, respectively, were begun.

In order not to tire the reader with technical details, we will say only that the development of a new aircraft engine is an entire science, which requires not only a

major intellectual investment, but a major financial investment as well. It is precisely for this reason, incidentally, that the aircraft designers in the largest Western firms prefer not to take a risk, not to carry all their eggs in one basket, as the Americans say, and not to equip an entire fleet of aircraft with one brand of engine. The cost of an error is too high if hidden defects in the engine that is adopted come to light in the process of operations. But one more new aircraft of another class—the Tu-204—is to be equipped with exactly the same engine which won in our competition, and its future is now hidden in the fog of uncertainty for the same reason. Well, they did not heed the proverb, and both aircraft have fallen into the same net...

But the principal difference from world experience is probably something else. A truth which designers do not have to be convinced of is that a new aircraft is a new engine first of all. And for that reason, foreign concerns refine their engines until there is no question of their readiness—and only after this will the aircraft designers begin work on a new aircraft, after selecting an engine with the parameters needed from the versions offered. We also covered this repeatedly tested route, after announcing a competition which was to have been completed according to plan, and when both engines will go through more fundamental stages of development work. But it is really too bad that they are not accustomed to competitions in our industry and that the rules are not followed until the end!

In 1984 a new secretary of the CPSU Central Committee, G. Romanov, who began treating the sector after becoming familiar with its affairs, demanded that the decision on selecting an engine be speeded up. It was said and it was done. And it was no obstacle that both engines were in the test bench stage, when it was simply impossible to predict their actual performance in flight. The preference given to the PS-90A resembled a game of "blindman's buff," and many persons at that time assumed that this engine would reduce the parameters that had been set. But should we be surprised that they were very quick to respond to the wish of the top leaders in the Ministry of the Aviation Industry and thoughtlessly disregarded professional conscientiousness? Familiar dictation and a familiar reaction. A particular type of specialist has been raised here—in their field they are knowledgeable professionals, but "on the carpet," they are quieter than first-graders. Units are capable of standing up for their position, but everything has been set up so that priorities in engineering are given up to the political leadership, and those who are ardent lovers of the truth are shunted to the side, as a rule.

Mention of incompetent "political leadership" is made quite openly now, but it seems to me that the consequences of such interference in technical fields which require major financial investments and more importantly, which involve significant delay in development, are particularly pernicious. Civil aviation's losses because of the lack of aircraft are counted in the billions, and Aeroflot's prestige is declining on international

routes. Civil aviation is estimated to lag 15 to 17 years behind the world level. There is a real danger that by the year 2000 Aeroflot will be able to meet only 55 percent of the orders for tickets. Guilty persons will be found, naturally, but it will not be the leaders who set unrealistic periods for fulfillment of targets that are too complex for the Ministry of the Aviation Industry and who later aggravated the situation further by ending the competition prematurely.

And they forgot about the competition that had been announced and the technical experts' opinion, I think, for a very simple reason. A contest, as well as competition or a market in a broader sense, is alien to the very spirit of flourishing administrative management. With such an approach, the incentives for creative efforts and real concern for the work are lost, naturally. Why exert oneself if the outcome depends not on an impartial comparison of the results obtained but on the subjective will of the leadership? A competition for a scientist or a designer is very similar to market relationships in the economy, and in both cases monopolism and inability to make progress in an open "struggle of opposites" is disastrous for the work. And the figures published recently in the organ published by the Institute of Atomic Energy imeni Kurchatov, "For Soviet Science," will not appear particularly paradoxical for that reason: 78 percent of those polled do not feel that they are proprietors in their own institute, 30 percent believe that nonchalance and indifference predominate, and 82 percent do not seek to change the existing system.

But let us return to the engines. I have never been able to understand the psychology of specialists who go from creative scientific research institutes and design bureaus to work in what I consider to be boring ministries and committees. It is also very puzzling why those in the same scientific research institutes and design bureaus invariably agree to let promising scientists go to bureaucratic institutions. The Il-96 story clarified the matter. Any institute needs "its own" people in a department like air. They are needed because competition and the market is reduced to nothing, and everything is decided by trump cards of another type—the opportunity to influence those few leaders who have a monopoly on making the most important decisions. I doubt that I will be mistaken if I express the assumption that the future of aircraft engines, and the future of our civil aviation as well, have been determined not by the performance of these engines, but by the dull relative significance of those leaving the Perm and Kuybyshev Design Bureaus for the high offices of the Ministry of the Aviation Industry. Perm tipped the scales—the deputy minister, the chief of the Engines Main Administration, and this administration's chief engineer. With a different personnel apportionment, the Kuybyshev engine would have "won," and this would have been just as risky, but it would have responded to the logic of a system which seeks a concentration of administrative power in its hands, not a search for the most effective solution.

The results of the premature decision are regrettable. But there are no hopeless situations, and not everything has been lost. Especially under the conditions of the conversion which was declared, which affected the Ministry of the Aviation Industry. Apparently, what would be more logical than giving civil aviation the capacities released from military orders? An entire squadron can be built with 20 percent of the state order! The advantages of such a conversion are obvious. First of all, collaboration with the Ministry of Civil Aviation does not require reorientation of the sector and specialists. Secondly, our aviation industry, in spite of all the difficulties, is closer to the world level. Thirdly, civil aviation is the most lucrative class of incomes in the modern world. Aircraft manufacturing, according to American data, yields 580 dollars of profit per kilogram of weight, but motor vehicle manufacturing produces only 10 dollars of profit. At the same time, there is a shortage of 1,500 to 2,000 airbuses of the Il-96 type in the world market. Just build airplanes, it would seem, and earn. But in the priority list of consumer goods compiled for the Ministry of the Aviation Industry, the needs of civil aviation are in fifth place. At the OKB imeni Ilyushin, where they are building the Il-96 so much needed for the country, they have been plunged with forced enthusiasm into work that is completely unfamiliar—they are developing a unit for drying furs. But anyone who thinks that light industry is easy and simple is severely mistaken.

The conversion is necessary without a doubt; too much has been pumped out of the national economy by the defense complex. But rushing from one extreme to another does not rectify the situation. Perhaps we should proceed in another way: after all, for one airbus we can acquire several units that have already been adjusted for light industry and other sectors of the national economy. Civil aviation is a way that suggests itself for conversion of the defense complex' foreign trade operations as well. We can trade freely in passenger aircraft, unlike tanks or rockets, let us say. For the present, there is considerable danger that our lag in civil aviation because of the delay with modern passenger aircraft may turn out to be disastrous, but consumer goods, which also demand high production traditions, will remain beneath any criticism.

The priorities for conversion were chosen monopolistically as well, without any technical expertise. The monopolism and incompetence of the leaders are disastrous for our technical policy not only because the laws of natural scientific competition are being violated and selection of the best solution is hampered. This also leads to a situation in which the best top-priority developments turn out to be postponed for a long period of time because of various attendant circumstances. How often the news reaches us from abroad that a breakthrough has been achieved in a direction rejected by our administrators. Genetics, the N1 moon rocket, a heart transplant, among recent examples, and the space motorcycle that has been lying in storage for 25 years...

"Fly the airplanes of Aeroflot!"—this phrase has fallen into disuse. Another one remains: "Arrival of the aircraft has been held up." The history of engine selection for the Il-96 and Tu-204, which has led to a critical situation in civil aviation, demands that the Ministry of the Aviation Industry and the Ministry of Civil Aviation not make accusations against each other, but reexamine the situation that has developed and learn the lessons from it that are extremely essential for the future of our technical policy, even if they are bitter ones.

RAIL SYSTEMS

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Rail Tariff System Detailed

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[Article by RSFSR Honored Economist Doctor of Economic Sciences A.V. Kreynin and Candidate of Economic Sciences L.A. Mazo under the rubric "Economic Issues": "A New Rate Scale for Freight Shipments"]

[Text] *Such controls as improvements in money-exchange relations, the wholesale price system and rate scales should be utilized more fully in order to raise the efficiency of production and further implement radical economic reform. In accordance with this, the USSR Council of Ministers, based on the State Plan for the Economic and Social Development of the USSR for 1990 adopted by the 2nd Session of the USSR Supreme Soviet, has instituted a new system of railroad freight rates as of January 1990.*

Basic Provisions

The basic provisions of the new freight-tariff system were developed at the All-Union Scientific-Research Institute of Rail Transport (VNIIZhT), in conjunction with specialists from MPS [Ministry of Railways], and were approved by USSR Goskomtsen [State Committee on Prices]. The fundamental review of rates implemented as of 1990 is the first step in improving price formation for freight shipments. Ways of further improving the rate scales for freight shipping and passenger transport are thus being proposed along with the rates being instituted this year.

The first stage in the review of the freight-shipping rate system envisages:

—the creation of the requisite vested economic interest in the fulfillment of the shipping plan, including state orders for a stipulated mix of freights, via the elimination of low or no profitability, as well as through the high profitability of individual freights;

—economic incentives for the railroads and freight owners to expand technical progress with an eye toward ensuring the efficiency of new transport equipment and improving shipping technology;

- a rise in the vested economic interest of freight owners and railroads in improving the utilization of freight and railcar capacity;
- a strengthening of the role of rates in the economically expedient distribution of shipments among various modes of transport;
- a reinforcement of economic accountability and the conversion of railroads to a fuller utilization of the principles of self-financing and self-support;
- the renewal of outdated rate provisions and rules with a regard for the contemporary and long-term disposition of productive forces in the country, the role of individual modes of transport in the country's Unified Transport System, the necessity of eliminating inefficient shipments and the more widespread utilization of local resources and progressive methods of shipping;
- the standardization of the rate structure and their adaptation to the automation of shipping-charge calculations by computers within the framework of the railroad-register integrated processing system (IODV);
- the improvement of the Uniform Statistical Freight Rate List (YeTSNG) with the aim of achieving greater conformity with the plan freight list and loading accounting, as well as their more accurate depiction of the diversity of products in the chemical industry presented for shipment.

The average level of rail freight rates has been increased by 35 percent in the new system as of January of 1990. The wholesale price for diesel fuel is going up by 2.1 times, and deductions for social security are rising by 30 percent, at the same time. The additional income received from the new 1990 freight rates will be directly toward paying for deliveries of new freight cars and containers (those deliveries had been accomplished through the state budget before 1990), financing the construction of the most important individual railroad construction projects and making additional payments to the state budget. The additional expenses pertaining to the rise in wholesale prices for diesel fuel and the deductions for social security will also be covered from those same funds.

It is essential to take into account herein that changes in wholesale prices for coal, oil, kerosene, fuel oil and boiler fuel, motor-vehicle and gas-turbine fuel, gas, peat, ferrous and non-ferrous ores and metals, forest products, cellulose and paper, cement and reinforced-concrete items, the output of railroad machine building and other forms of raw and intermediate materials are projected to change in the future as well. The overall rise in wholesale prices for the products consumed by rail transport—allowing for the rise in deductions for social security to the levels necessary to institute the new pension law that is coming in the 13th Five-Year Plan—will have an effect on operating expenses, which, according to the calculations of VNIIZhT, will rise by no less than 35-40

percent. Changes in operating expenses will also be affected by the fact that the enterprises in heavy and transport machine building today should coordinate the wholesale prices for new rolling stock with the consumer (in this case MPS). The specialists of MPS and the railroads will face the task of ordering or acquiring only that transport equipment that is economically advantageous for the railroad and the national economy, in the person of the consumer of transport products (freight shippers), to operate, wherein the impact from the utilization of the new rolling stock is distributed among transport enterprises and organizations and reflected in the appropriate rate levels.

The fact that the prevailing rate scales are employed only at the moment the freight is shipped should also be kept in mind. The corresponding changes in the rate scales for shipments in new types of rolling stock that provide an impact outside of transport should thus also be reflected in the corresponding techniques for determining the economic efficiency of new equipment in rail transport. It is essential to take into account at the same time that the rate-increase index of 35 percent stipulated by the directive does not provide for full economic accountability for the sector, including the self-financing of capital investments. The reimbursement of investments in the productive and social development of the sector through the state budget, as is done in most foreign countries, should be envisaged in this regard.

Planning New Rates for Carload Shipping

The rates for carload freight shipments in the new system were developed on the basis of parametric models of the cost, including profits, on an identical scale per railcar-day. The income and expenses for container-load and small shipments, as well as the additional charges, were determined for this purpose in advance by computation. The structure of container freight rates that was reviewed in 1983—since it satisfies contemporary requirements and reflects actual transport and economic factors quite accurately—was retained in principle with certain changes in the level of those rates. The container and small freight shipment rates are being raised an average of 27.5 percent, i.e., less than the average level. The profitability of those shipments at roughly the same level as carload shipments is ensured with this increase. The small-lot freight-shipment rates, allowing for the fact that they have not been reviewed for a long time, have been raised by 50 percent, and those for containers by 22.7 percent, with medium-weight by 19.1 percent and heavy by 28.3 percent.

Carload shipments, as the calculations showed, are 87.8 percent of the income from freight shipping at the prevailing rates and 88.6 percent at the new ones, while they take up about 89 percent of operating expenses. The profitability of carload shipping conforms to the average value for all freight shipments at both the prevailing and the new rates. The profits from carload shipping are determined on the basis of all income as computed allowing for the rise in the rate levels. This is, in other

words, the difference between the profits from all freight shipping and from the shipping of freight in containers, small lots and other operations. Profits from shipments of perishable freight in refrigerated rolling stock are also omitted due to the higher-than-average increase in rates for the shipment of those freights in refrigerated cars (this was done with the aim of eliminating losses and creating the functional conditions for full economic accountability in the refrigerated system). The remaining profits from carload shipments are distributed among the start/end and traffic operations in proportion to railcar turnover, i.e. by railcar-hours for freight operations in the movement process, including time spent by the railcars at reserve and intermediate stations. The attribute of colinearity, considering the dependence of profits and railcar turnover on distance, is sufficient to ensure the conditions for identical profits for railcar-days.

The profitability of start/end operations (64 percent) is raised markedly in this approach with a lesser value for traffic operations (30 percent). This meets the problem of the equal profitability of freight shipments. Profits as calculated by railcar-days would be considerably less over short distances, due to slowdowns in railcar turnover, than long ones if the former method of equal profitability by operations of the shipping process were to be employed. The cost of movement will moreover increase at a rate outrunning the expenses for start/end operations due to the impending sharp rise in the cost of the power component. The establishment of railroad rate scales with identical profitability by operations in the shipping process would in that sense contradict the task of the efficient distribution of shipments among rail transport and trucking.

The conditions of freight transport, specific technological features of the shipping process, consumer requirements for means of transport from the point of view of undamaged delivery and the mechanization of loading and unloading operations, as well as a rise in the utilization efficiency of various types of railcars and containers via incentives for the distribution of shipments among them according to the most efficient spheres, were all taken into account in formulating the new rate scales.

Changes in Structure and Differentiation

The new rate system differentiates according to the following categories of shipments.

Carload shipments of bulk, free-flowing and crated/piece freights in all-purpose railcars (all-purpose boxcars, flatcars and gondola cars). The parametric model of the rates for all-purpose railcars of the MPS general fleet (boxcars with numeration beginning with 2, flatcars with 4 and gondola cars with 6) looks as follows: $46 + 0.081P$, rubles/car, for start/end operations; $14.183 + 0.0744P + 0.06(P - 64)^2K$, kopecks/railcar-km, for traffic, where $K = 1$ where $P > 64$ tons or 0 where $P < 64$ tons, P being the weight of the freight.

The expenditures for depreciation, depot repairs and the preparation of the railcars for shipping are omitted when formulating the rates for freight shipment for the same types of owned or leased railcars of the aforementioned models. The remaining expenditures are borne by the railcar owners and lessees. The expenses for depreciation and depot repairs are reimbursed through a lease payment established separately.

Part of the expenditures associated with empty runs are not counted in the rate for the traffic operations, since they are recouped in the shipping of empty owned and leased railcars separately. The new rates for shipments in rolling stock of the freight owners or cars leased by them are determined on the basis of parametric models of the cost omitting those expenses, with the accrual of the same profitability as in the setting of rates for shipments in all-purpose railcars of the MPS fleet. The rate scales for owned and leased all-purpose railcars are determined on the scale of $34 + 0.081P$, rubles/railcar, for start/end operations, and $12.0 + 0.0744 \times P + 0.06(P - 64)^2K$, kopecks/railcar-km, for traffic operations on a loaded run. Additional profit (2 kopecks per railcar-km) not included in the stipulated payments for empty runs by owned or leased railcars is allowed for in the rate scale for traffic operations. That payment is computed on the basis of the cost of transporting empty railcars of the corresponding types.

The size of the load is taken from the total weight of the freight and the equipment on the railcar for fastening and housing it. Minimum hypothetical load-weight standards (MRVN) are envisaged for the purpose of the more complete utilization of the freight and space capacity of all-purpose railcars. They are determined in two ways depending on the possibility of complete utilization of the space and freight capacity of the railcars by a specific type of freight. If that condition is fulfilled, as occurs in shipments of coal, ore, mineral fertilizers, shales, salt, flour and a number of other freights with a high specific gravity, the MRVN is established according to the nominal freight capacity of the railcars as indicated in their stencils. The MRVN is determined in other cases, principally for lighter-weight freights, from the average static loads obtained as the result of special systemwide research into the types of railcars and rate positions (YeTSNG). The values of the MRVN are presented in the freight lists of the rate guides.

Carload shipments in specialized railcars of special design intended for the transport of individual freights with enhanced degrees of physical security, without packing, with the complete mechanization or automation of loading and unloading. The setting of rates for the shipment of freights in specialized railcars is performed proceeding from the average profitability computed at 35 percent for the average shipment distance for the corresponding types of railcars and identical profits from railcar-days at all distances.

It should be kept in mind that the new rates have been set for freight shipments in those types of specialized

railcars that have already been put into service. Most of the types of specialized railcars considered here (cement carriers, grain cars, mineral cars and pellet cars, among others) have been widely operated on the railroads since the 1960s-1980s and continue to be supplied from the series production of domestic railcar-building plants and imports. The use of contract rates is envisaged for newly created types of specialized railcars that are not indicated in the rate guides. They are set by agreement between the railroad and the freight owner for a term of up to two years and are subject to subsequent approval at USSR Goskomtsen. The contract rate should not exceed the level of the permanent rate established for all-purpose railcars by more than the saving for the freight owner.

Since the types of specialized railcars being operated today are not new ones, fixed rate scales have been established for them for start/end and traffic operations that are based on economically accountable operating conditions. The validity of this approach is also connected with the fact that more than 80 percent of the corresponding freights are shipped in cement or grain cars, almost the entire volume of iron-ore pellets and agglomerate are shipped in pellet cars and the overwhelming majority of unpackaged shipments of fertilizer with low caking will also be handled by specialized railcars in the near future. Some of these freights will be transported in boxcars, primarily in containers and packaging, frequently caused by the special conditions of their supply.

The expenditures on the preparation, depreciation and depot repairs of this rolling stock are omitted from the cost models ($C_{s/e}$, C_{tr}) when devising the rate scales for owned and leased specialized railcars, and profitability as established for those same types of specialized railcars in the MPS general fleet is then computed separately by operations.

Carload rates for the shipment of free-flowing bulk freights in tank cars. The rate scales for the shipment of free-flowing bulk freight in tank cars at a per-ton fee are projected computed per ton for start/end operations and per ton-km for traffic operations, i.e. $t_{s/e} = T/P$, t_{tr}/P , where P is the average load of the railcar in tons/car.

The rate scales are grouped herein according to the principal types of tank cars—petroleum and gasoline (for petroleum and petroleum products), acid-chemicals and foods (the remaining freights in the tank cars of the MPS general fleet), refrigerated (virtually entirely by lease) and gas (belonging to Mingazprom [Ministry of the Gas Industry] and Minkhimprom [Ministry of the Chemical Industry]). The basic differences in the rate levels are determined by the cost of the tank cars (if they are in the MPS fleet), the empty-run coefficient (equal to one, with the exception of petroleum and gasoline cars engaged in the shipment of petroleum products) and the tare weight. The rate scales for start/end operations for petroleum products also reflect the costs for washing out the tank cars using MPS equipment. The rate scales for shipments

in gas tank cars take into account the additional costs associated with the increased amount of shunting operations due to the ban on their passage through classification hump yards and with the securing of covering. The sharp differences in the rates for leased insulated tank cars and the rates had they been part of the MPS general fleet are explained by their high cost.

The new rate system for shipping freight in carloads is in general favorable to the use of narrowly specialized railcars and tank cars with 100-percent empty runs if they are on the balance sheets of the freight-owning enterprises or leased from them. Reductions in the freight fees of from 40 to 50 percent—instead of the standard 25-percent discount from the rate from a loaded railcar—are envisaged by the new rate scales in that case. The difference in the rates increases proportionately to the cost of the railcar, as well as allowing for the empty-run factor, i.e. to a larger extent for narrowly specialized railcars.

At the same time, taking into account the fact that the empty runs of all-purpose railcars owned or leased from freight-owning enterprises are 3.3 times more than the fleet controlled by MPS, the reduction in rates in those cases becomes considerably less than according to the prevailing rules in accordance with the shipping costs that actually arise. The rate reduction of $\frac{1}{4}$ is effectively preserved today only for the start/end operations, while a reduction of a little more than 10 percent has been established for traffic operations. The rates for empty runs have moreover been set at a level that compensates for the costs for the movement of those cars by the locomotives of the railroad, which required a considerable increase in them. The efficient sphere of individual utilization of all-purpose railcars by enterprises is limited by the short distances in the shipment of freights with a weight higher than those of the MPS general fleet as a result, due to the installation of returnable equipment, bolsters, fastening devices etc. The freight owners and railcar lessees will have more of a vested interest in managing the fleet affiliated with them in a way that would lead to reductions in empty runs, operations with the concurrent loading of other freights and the joint utilization of those railcars by enterprises and associations.

The more expedient utilization of narrowly specialized railcars in the fleet of the freight owners and the advantages of operating general-purpose railcars in the all-purpose fleet managed by MPS that arise from the newly stipulated arrangement of the rate scales will promote in principle the resolution of the task of raising the efficiency of all transport resources regardless of their departmental affiliation.

Carload shipments of perishable freights in refrigerated rolling stock (RPS) using temperature-controlled and ventilated modes based on electrical cooling or heating machinery and in insulated railcars. The rates for RPS contain a single rate for traffic operations and three rates for start/end operations. They are distinguished as 340

rubles per railcar for fruits and vegetables, 290 rubles for canned goods and beverages and 270 rubles for meat, meat products, fish and fish products. A discount of 70 rubles per car from the rate has been established to provide an incentive for freight shippers employing the efficient preliminary cooling of products, and first and foremost vegetables, fruits and fresh berries, which should promote the development of refrigeration facilities at places where the fruits and vegetables are cultivated and, consequently, raise their freshness and quality. The new rates will at the same time promote the efficient selection of the mode of refrigerated transport.

Lower rates will be employed to switch some of the perishable products not requiring heavy cooling to insulated railcars that are cheaper to operate, which creates conditions for the shipment of freights short distances in them. The delivery zone of perishable freights by motor vehicle is expanded considerably in that case.

Carload shipments of large freights on heavy-load cars of up to 500 tons capacity and oversize freights on open rolling stock. The computation of fees for shipping oversize freights is made depending on the degree (1-6 and super-oversize freights) and type (low, lateral and upper oversize). Distinctions in the fees for the shipment of oversize freights on flatcars, gondola cars and heavy-load cars as part of freight trains and on heavy-load cars running by separate locomotive are established therein. The exaction of fees for the maintenance of a support crew and a specialized freight car in which the crew is accommodated is also envisaged in the shipment of freights on articulated heavy-load cars aside from the freight-shipment fee. All of this is associated with the differences in the technology for shipping oversize freights as part of freight trains and special trains, as well as the necessity of compensating for expenses for the maintenance of crews for supporting the articulated heavy-load cars. The fee is reduced by 20 percent if the shipment of oversize loads is performed using owned or leased railcars.

The shipment of freights in medium-tonnage (freight capacity of 3-5 tons) and high-tonnage (freight capacity of 20, 24 and 30 tons) transport containers and separately in analogous containers belonging to enterprises and organizations or leased by them. The container rates are established herein in the form of ready fees per container. The rate discount when freights are dispatched from a siding in general-purpose containers both of transport and owned or leased in full sets for a railcar for a single destination station has been retained. Such shipments can be accomplished in such cases without classification en route.

It is important to emphasize that the fee will be the same as before for the shipment of the household goods of citizens in containers, as well as in railcars. This was done in order not to affect the material interests of the workers of our country. The payment terms for the shipment of empty containers belonging to enterprises and organizations or leased by them have been retained

as well, with a 50-percent discount from the rates established for the shipment of transport freight containers.

A uniform parametric rate scale for the shipment of small and lightweight shipments has been developed in the new system for the first time. This measures markedly simplifies the setting of rates. The rate level for small shipments under one ton that are subject to classification en route and that require the corresponding warehouse space or special classification platforms has been raised considerably. A rise in the rate levels has been envisaged within much smaller limits at the same time for lightweight shipments that have considerably more weight. All of this creates conditions for improvements in the correlation of the rate scales of railroad transport and trucking for small lightweight shipments and provides incentives for grouping them at the same time.

Charges for Additional Operations

The charges for additional operations associated with shipping, the income from which goes, as a rule, directly to the railroads, divisions and line enterprises, have been subjected to serious changes. Separate charges have been set for providing (and removing) railcars by locomotives of the railroad for the non-general use of freight owners. The charge for shunting operations has also been reviewed in accordance with cost changes. The charges for loading and unloading operations have been reviewed for the purpose of reinforcing the economic accountability of mechanized line sections in those operations. They are creating conditions and advantages for their comprehensive mechanization and automation and the organization of shipments in bales or on pallets, among other things. The institution of special factors in individual charges for the additional operations that take the prevailing wage-rate adjustment factors in individual regions of the country into account is an important innovation in this system of rates. The charges for freight storage (allowing for the fact that the storage of hazardous freights requires special protections to ensure safety), weighing them on railcar, commodity and truck scales, the rotation of wheelsets and the loading and unloading of railcars on railroad and maritime ferries have also all been reviewed.

The outdated rates that had been in effect since 1922 for the shipment of individual freights to the Siberian and Far Eastern regions and the standard discount for the shipment of freights on mixed connections that had been set in 1931, among others, were abolished at the same time.

Reserves for Raising Efficiency

The institution of new freight rates with simultaneous price increases for diesel fuel for only the period until the overall review of wholesale prices is making it possible to raise the profitability of freight shipments by almost double temporarily. This indicator, typifying the operational economic efficiency of rail-transport operations,

will total 57 percent, according to preliminary calculations, with expenses of 30 percent at the base conditions of operation of the former rate scales. The profitability of all shipments will increase to a lesser extent—from 28 to 49 percent—allowing for the reductions in profit from passenger transport associated with the rise in fuel costs and increased deductions for social security at unchanged levels of passenger charges.

Measures aimed at raising the efficiency of railroad operations and the more economical utilization of transport resources in the country must be determined, considering transport rates as a resultant economic indicator of sector and national-economic significance.

The growth in shipping charges with increased utilization levels of general-purpose railcars makes possible a rise in the income levels and profitability of shipping with the efficient distribution of railcars of various space and freight capacity for the loading of light and heavy loads. We note that the profits in increasing loads within the framework of 64 tons were effectively reduced at the old rates, since the shipping charge remained the same. In order to raise the income and profit levels in the utilization of each railcar, it is important today, in the face of a continuing shortage of loading resources, that primarily railcars with the maximum allowable load utilization be offered for the shipment of freight with large loading weights equal to or exceeding the ratio of the freight capacity to the useful volume of the compartment. The space capacity of the railcar has no special significance for heavy loads therein from the point of view of income levels. Railcars of greater space capacity, regardless of their weight capacity, are better suited for lighter freights that cannot make full use of the weight capacity of the railcars. And since the shipping charges have been set as an average for all types of all-purpose railcars with permissible interchangability, it is necessary to strive for the utilization of railcar types that provide greater utilization and, accordingly, income.

Work must be strengthened on establishing systemwide and local technical utilization norms for the correct and economically expedient resolution of these issues. The structure of the new rate scales depending on the loading, with the technical and economic substantiation of the planned railcar designs, should be taken into account, and an evaluation of their efficiency performed via the commensuration of the economic results, as well as the expenditures, in accordance with the Methodological Recommendations for Determining the Economic Efficiency of Measures of Scientific and Technical Progress in Rail Transport.

If there are alternatives in fleet availability and freight shipment conditions when offering all-purpose or specialized railcars, preference should be give to the latter on those traffic routings where a coincidence of the return of all-purpose and specialized empty cars exists so as not to increase the aggregate empty runs. The greatest advantages of specialized railcars (compared to all-purpose ones) in the general case are manifested with

their higher utilization and runs at lesser distances. The efficiency of specialized railcars undoubtedly goes up when shipments are organized with concurrent loading in the return direction. A considerable increase in the charges for empty runs by owned or leased railcars should have a definite effect here.

It must be noted that a sharper rise in rates for small shipments compared to container shipping fees makes it possible to allow for the economic interests of both the railroad, from the point of view of the varying labor-intensiveness and cost of the shipments, and the freight owners, who receive the principal impact in containerization. Since the requirement for containers has not yet been fully satisfied, only container-suitable freights should be switched to them.

The new rate scales, as has already been noted, create more favorable preconditions for the economically substantiated distribution of shipments between the railroads and trucking. The zone of application of the latter is expanded as the shipment weight decreases—to 150 km at 3 tons and over 150 km at 0.5 tons—instead of the 20 km for the rates that prevailed before. The shipment of fruits and vegetables up to 300 km in refrigerated trucks at the new rates is more advantageous than by railroad. The railroads, trucking and freight-owning enterprises should take this circumstance into account and evaluate it correctly when planning short-haul shipments.

The review of the structure of the supplemental charges, as well as the fees for leasing freight cars, provides a better-founded approach toward the utilization of the equipment belonging to the railroad or the freight owners. The establishment of higher (by 40 percent) charges for the provision and removal of railcars on railroad sidings not only compensates them for the corresponding expenses for depreciation and upkeep, but also provides an opportunity for the enterprises to make a realistic economic assessment of the economic expediency of the need to transfer them to the balance sheets of the railroad and to have a wiser attitude toward the utilization and upkeep of railcars in technically good working condition.

The rise in leasing charges (by an average of 1.5 times) to a level providing identical income levels for the railcars of the MPS general fleet is called upon to reduce the demand for railcar leasing to a certain extent. This step, under the conditions of a generally increasing scarcity of inventory, should force a more responsible approach to railcar-leasing requirements by freight owners, and to acquire rolling stock of their own for individual use, allowing for the independence of industrial enterprises. An increase in the centrally regulated fleet of all-purpose railcars will make it possible to raise their useful productivity first and foremost.

Further Improvements in Price Formation

The appropriate research should be performed to implement the second stage of improvements in price formation in rail transport. The most important aims of research development in the realm of price formation in shipping are providing incentives—through the rate scales—for the efficient utilization of transport resources, incorporating the achievements of scientific and technical progress and creating the conditions for the well-founded optimization of transport and economic ties in the national economy according to the criterion of minimum spending on shipping and production and the reinforcement of economically accountable relations on the railroads combined with a system for financing them. It is important to ensure the priority of national-economic interests therein, keeping in mind that the rate scales are standard for intersector economic interaction. This signifies that intra-sector tasks may be resolved via the application of different economic standards as well. It is essential at the same time, in structuring a system of economic standards and organizing the mechanism of economic operation, to strive for a certain unity of national-economic, collective and individual interests. The reflection of the vector nature of shipping costs in the structure of the rate system on the basis of territorial differentiation is a topical theoretical problem in that sense.

Whereas questions of the distribution of income among the railroads could be resolved in a timely manner with their conversion to full economic accountability with the aid of direct-connection ton-kilometer factors providing for their profitable operation, the intelligent combination of the economic interests of the state and individual enterprises in the implementation of the efficient disposition of production, deliveries of material resources—especially with the conversion to wholesale trade—and selection of the mode of transport, optimal lot sizes of shipments and type and affiliation of shipping equipment, should fall within the field of view of regulation through the rate scales. The question of a model for the rate structure that differentiates by regions and shipping routes with an eye toward regulating railcar traffic must be studied for this purpose. It is important to have an overall fundamental conception of the structure of the transport rate system for all modes of transport, while keeping in mind that the rate scales prevailing in maritime and truck transport have been differentiated by territory already. It is thus advisable to conduct this research in a unified group. The creation of a special information base using an integrated processing system for shipping documents will be required for the practical implementation of these proposals. This would make it possible to assess financial and economic results with sufficient reliability.

The effects of seasonal factors on the utilization of rolling stock and the possibility of regulating these processes through rates should be considered in future research. Seasonal differentiations in rates could prove to be especially effective for shipments in boxcars and insulated cars. Controlling the quality of transport service based on economic standards and standards for the transport of

freight and passengers is a significant task requiring the profound study of rate issues.

The factors of elasticity, degree of demand satisfaction and regulating passenger-train traffic by types of cars, distances, routes and seasons must be utilized to a greater extent in the realm of rates for passenger transport. Research developments in this area should rely on marketing theory. Research into new ways of realizing them in rail transport is recommended under the conditions of the dissemination of leasing forms of business operation. The experience in the utilization of commuter rolling stock leased from the construction organizations of the Novovoronezh AES [nuclear power plant] on the Southeastern Railroad, for example, should be summarized and evaluated.

The search for new economic mutual relations between the railroad and enterprises should be aimed both at improving the utilization of transport equipment and at providing for its loss-free operation at socially low levels of commuter fares. The focus here must be placed on the opportunity for regional economic accountability, since the discussion concerns the resolution of important social issues. The tasks associated with the railroads' acquiring expensive new rolling stock for providing high-quality service to the public in the commuter zones of major industrial centers should receive objective solutions as well, for instance based on leasing, subsidized investments from local budgets for these purposes etc.

Detailed research on the establishment of economically substantiated shipping rates under special conditions—hazardous freight or narrow-gauge shipment, for example, among others—must be pursued along with the major problems. Research on the methodological foundations for the establishment of charges, providing future opportunities to expand trip, information and other additional services should be envisaged as well. Scientific research in the realm of rates for international shipments on neighboring and through-transit connections, as well as freight shipments on maritime railroad ferries, have not been embraced at all either. Research into the means and methods of determining socially essential expenditures as the basis for structuring the international rate scales is required first and foremost.

These problems require the launching of a whole set of research aimed at creating a more efficient and flexible system for transport price formation in the future. The corresponding reporting base is also essential to the structuring of a quality rate scale. Today the opportunity exists, through certain reductions in existing reporting, to institute the new reporting associated with structuring the rate system for freight and passenger transport. This will allow a more complete analysis of the prevailing rates and the introduction of the essential corrections in them, with the aim of satisfying more completely the requirements of the national economy and raising the income levels of rail transport.

MARITIME AND RIVER FLEETS

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Future Ship Power Systems Examined

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[Article by L.P. Sedakov and G.Kh. Barakan: "The Power Units of Ships of the Future"]

[Text] There must be advance disclosure of the directions of development of ship power engineering to draw up substantiated programs for the creation of power units (EU) with improved technical-economic characteristics for future ships.

Progress in ship power engineering, just as in any sub-sector of power machine building, is determined, on the one hand, by the evolution of the demands imposed on it as the basic object, in our case—the ship of the future—and, on the other hand—as the result of fundamental and applied research, which make it possible to achieve a qualitative leap, for example, in the use of new types of fuel, methods of obtaining power and, ultimately, in the creation of new types of ship EU.

As is shown by a comparison of the earlier-made predictions and the developmental stages of the world fleet that have actually taken place, when determining the type classification and characteristics of future ships over a long period, it has by no means always proved possible to take into consideration the effect of the varied economic and social-political factors which have brought about the formation of the shipbuilding program. This has naturally made us examine further the accents and views, formed at the initial stage, on the most urgent directions in development of ship EU.

In particular, the predictions of specialists of the United States, Japan and other countries at the end of the 1960's and beginning of the 1970's¹ on mass construction, by 1985-1990, of supertankers with a deadweight of 200,000-600,000 tons with EU power up to 37,000-52,000 kw and over, bulk freighters with a deadweight of up to 200,000 tons with EU with a power in the order of 37,000 kw, high-speed (30-33 knots) container ships with a capacity of up to 2500-3000 standard containers with EU with a power of 110,000 kw and higher, have not been justified. This was to a considerable extent the result of erroneous predictions of a 1.5-2-fold increase, by 1980, in the yearly production volumes of ship PTU [steam turbine units] brought up to 9-11 million kw by 1990, as well as of the increased use of GTU [gas turbine units], particularly on container ships, RORO ships and liquid gas carriers brought up to a total GTU power, established by the end of the 1970's, on displacement ships of the world transport fleet alone, of up to 300,000-370,000 kw.

Specialists' predictions of the development in the United States, FRG and Japan of the construction of nuclear-powered container ships, planned for the period 1980-2000, and in the future, of tankers, with the total number of nuclear-powered ships built in Japan by the year 2000 reaching 280 units, were not realized.

The prediction of a noticeable expansion in the applicability, on relatively large ships, of EU with medium-speed engines, and an increase in the cylinder diameter of ship MOD [low-speed diesels] to 1250 mm by 1990 was not justified either. On the other hand, the reduction, by 1985, in the specific fuel consumption of ship MOD to 160-176 g/(kw-hr) noticeably exceeded that of the values of 190 g/(kw-hr) expected by 1990.

Examples are relatively rare in world practice of the appearance of types of EU new in principle, resulting from qualitative leaps in scientific-technical progress, which would provide the prerequisites to create new types of ships or permit a sharp improvement in their characteristics. For example, in the last 30-40 years one can mention only nuclear-powered and light marine gas turbine units, which made it possible to begin construction and successfully operate, respectively, nuclear-powered icebreakers and large fast ships with dynamic support principles.

The next qualitative leap in the development of new types of EU, particularly in ship electric power engineering systems and electric propulsion systems can be expected in connection with the practical development of the effect of high-temperature superconductivity.

On the basis of the conditions noted, it is expedient to examine the most important paths of EU development, in a period of not over 10 years, for the next generation of EU, based on modern achievements of science and technology. For the more remote future, one can mention with certainty only the main problems, which should in this period be solved in the form of scientific and planning-design work in progress.

In analyzing the special features of the prospects for shipbuilding development, three main problems can be singled out, to the solution of which the creation of EU for ships of the future should be subordinated:

- ensuring the intensive growth of the fleet's economic effectiveness, primarily through improving the reliability and quality of the ships;
- raising the degree of utilization of fuel-power and other types of resources, primarily through increasing the efficiency, lowering the metal-intensiveness, and reducing the labor-intensiveness of building and servicing the ships;
- solving the ecological problems, in the direction of a sharp reduction in water and air pollution, ensuring

safe operation of power complexes and creating the necessary sanitary-hygienic and comfort conditions for crew and passengers.

In consideration of these special features, the basic directions for the development of diesel, gas turbine and nuclear-powered EU for the ships of the future are examined below, and the problems of the more distant future are formulated.

Diesel power units (DEU) with low- and medium-speed diesels, due to the high degree of economy and broad range of power units, will retain their dominating position on the ships of the maritime transport fleet.

The highly economical two-stroke crosshead low-speed diesels (MOD) will be used as the basic type of main engine for large transport ships with a shaft power of over 1100-3000 kw. Most likely, the principal structural system of the engines (straight-through-valve scavenging, supercharging with constant gas pressure in front of the compressor turbines, hydraulically operated exhaust valves, etc.) should be retained.

The values of the most characteristic indicators for future MOD (primarily superlong-stroke structures with the ratio of the piston stroke to the diameter of the cylinder 3.0-3.8) are expected to be the following:

- average effective pressure with a rated augmentation level—up to 1.7-1.8 MPa, and for economy versions—80 percent of this value;
- rotational speed—in a range of 55-250 rpm;
- average piston speed (rated)—not over 8.0 m/sec;
- maximum combustion pressure—12.5-13.0 MPa with a prospective increase to 14-15 MPa;
- specific efficient fuel consumption (with a turbocompound system—TKS)—150-165 g/(kw-hr)—depending on the cylinder dimensions.

Medium-speed diesels (SOD), as before, will primarily be used on transport ships with limited tonnage, as well as on specialized ships (ferries, ice-breaking transport ships, etc.), among EU with indirect transmission of power to the screw. In addition, the diesel-generators of ship generating stations on virtually all large ships with diesel EU should be fitted out with these engines.

The most widespread type of SOD will be a trunk-piston, four-stroke diesel with free gas-turbine supercharging of the combined type (with pulse converters, etc.). When the diameters of the cylinder are 400 mm and over, an SOD operating on heavy fuel will be equipped with forced rotation of the exhaust valves and a cooling system for their valve seats. The following operating parameters are characteristic for large SOD of the near future:

- average effective pressure—up to 2.4 MPa and over;
- fuel injection pressure—130-200 MPa

- maximum combustion pressure—15 MPa and above;
- specific fuel consumption—170-176 g/(kw-hr).

There will apparently be no changes in the range of SOD cylinder diameters (180-600 mm), the number of cylinders (5, 6, 8, 9—for in-line models, and 10, 12, 14, 16, 18, 20—for V-shaped design) and the rotational speeds (350-1000 rpm). At the same time, in the last few years the tendency has appeared to increase the values of the ratio of the SOD piston stroke to the diameter of the cylinder in order to increase its economy and improve the conditions for stable combustion of heavier types of fuel (for example, new generations of engines from the Pielstick, MBD², Sulzer, Wartsila Diesel firms, etc.). The average piston speeds of the diesels of the types under discussion are in a range of 6.5-10 m/sec, the specific mass—6-17 kg/kw.

Virtually all the leading foreign firms ensure the suitability of SOD of any size for work using heavy fuels, as for MOD (viscosity up to $700 \cdot 10^{-6}$ m²/sec at 50°C). This, in particular, will make it possible to create ship DEU [diesel power units] with a single type of fuel, eliminating the need to mix heavy fuel with light under ship conditions.

Efficient development of ship DEU aimed at increasing economy for maritime transport ships will be achieved through [1]:

- optimizing the parameters of engines to fit ships of a specific type and purpose;
- increasing the degree of heat loss recovery;
- reducing expenditures of fuel for a unit's internal needs;
- optimizing energy utilization under a broad range of operating conditions.

Modern type classifications of MOD are built so that diesels of mixed dimensions reciprocally cover a considerable part of the overall range of power, and the choice of the optimum type category is as a rule made for a specific ship on the basis of diesels of several sizes with a varying number of cylinders. For example, a power unit with a diesel from the MBD firm, 8DKRN 60/195 with a power of 13,920 kw at 117 rpm can, in principle, also be developed on the basis of a number of diesels with other dimensions (60/229, 70/227, 70/267, 80/259, 80/306) with rotation speeds of from 102 to 57 rpm and from 4 to 6 cylinders. The possibility of choosing this main ship engine from several variants makes it possible, whenever necessary, to accept a diesel with the least specific fuel consumption, and with a lower rotation speed, which in turn ensures a rise in the propulsion coefficient.

The domestic diesel building sector has so far developed production of two type categories of MOD and is outlining development of three more type categories. The output of a limited number of MOD type categories

narrows the possibilities of optimizing the rotational speed of the screw propeller under domestic conditions, as compared with that achieved on today's world level. Therefore, one of the directions for developing DEU for ships of the maritime transport fleet in the near future should be orientation toward using in them MOD with increased, if possible, cylinder diameters, a limited number of them and reduced rotational speed, optimized according to specific types of ships.

Optimizing the parameters of a diesel in order to reduce the specific fuel consumption essentially amounts to optimizing its operational process and, therefore, it ensures a simultaneous reduction in the impurity content in the spent gases, i.e., contributes to solving the ecological problems. Reducing the number of cylinders in the main engine leads, in turn, to reducing the labor input for its technical service, which will also be achieved by widespread introduction of systems of technical diagnostics and automated EU control based on microprocessor equipment on the ships of the future.

Efficient use of heat loss is a considerable reserve for improving the economy of ship EU. Ship systems for thorough recovery of the heat from exhaust gases, cooling water and the supercharged air of the diesels, ensuring virtually complete provision for the ship's needs for auxiliary types of power when underway, have been developed and quite widely used in world practice.

Increasing the economy of new generation MOD and accordingly reducing the heat loss with exhaust gases, causing a sharp rise in the power level of the main engines (to an order of 20 MW), in which there is efficient use of traditional systems of thorough heat recovery, has led to the development, in the last few years, of shaft-driven generator systems (VGS) with fixed speed drives. These systems, when included on a ship EU with MOD and VFSH [fixed pitch screw], make possible a substantial reduction in labor input for technical service of the unit and raise the degree of energy utilization by approximately 1% through the difference in the fuel consumption of the main engines and automated diesel-generators.

The most promising way to increase the economy of ship EU should be the use of VGS in a set with turbocompound systems, i.e., with systems using a power gas recovery turbine, which has become possible through increasing the efficiency of the turbosupercharger units of MOD by over 68%. The use of shaft-turbine generator units with a power gas-turbine can ensure up to a 55% rise in the degree of energy utilization in the DEU.

In some cases, on ships that have excess steam from the heat-recovery boiler, a turbogenerator unit (TGU) can be used in combination with the shaft-turbine generator unit. This ensures a further rise in the total efficiency of the EU.

When the total available power of the TGU and the TKS [thermal coefficient of resistance] is sufficient to ensure electric power for running conditions, the question of

installing an auxiliary running generator unit with combined drive from steam and gas turbines, a so-called steam-gas-turbine generator (PGTG) on the ship may be discussed. It is necessary, however, to take into account the fact that this technical solution leads to making the ship EU more complicated.

The tendency to restrict the main engine power of ships of the transport fleet, increase the power of their generator stations and also reduce the efficiency of traditional heat recovery systems leads to the conclusion that it is expedient to revise the attitude toward including alternative sources of secondary energy resources in the recovery cycle. In the light of this, it is expedient to examine:

The effective use, for power and heating needs, of the water cooling the engine cylinders, the temperature level of which rises up to 80-85°C;

The possibilities of increasing EU efficiency through recovering the heat loss, in the refrigerator, of supercharged air, the temperature level of which will be in the order of 140-160°C after the turbosupercharger, and will be reduced, in the refrigerator, to 40-50°C.

The use, in recovery boilers, of a heat carrier, without changing the physical state (so-called thermal liquids) in order to reduce the losses in the systems, simplify their design, increase the reliability and reduce the labor-intensiveness of service;

Adapting ship auxiliary boilers for operation on heavy fuels, as well as for sludge combustion.

Estimates show that on ships with a great need for thermal power for conditions of rated and long-term operating power, maximum recovery of heat losses will make it possible to raise the efficiency of the DEU to 75-80%. This is justifiable for EU with both two-stroke MOD and with four-stroke SOD, since the somewhat lower efficiency of the latter is compensated for by the best possibilities of recovering in them the heat of the exhaust gases.

Introducing energy-saving measures aimed at reducing the ships' need for heat and electric power, as well as the expenditure of energy for the internal needs of the unit, will contribute to increasing EU economy. Examples of these measures may be noted:

- using centralized EU cooling systems or systems with scoop cooling of a water-moderated water-cooled refrigerator;
- using natural ventilation of engine-boiler rooms through efficient profiling of the air circuits and using velocity pressure when the ship is underway.

Technical designs to improve ship EU can be carried out on ships of the future on condition that industry develops the necessary completing equipment.

In technical-economic substantiation of energy-saving measures, as applied to specific designs for ships, it should be borne in mind that with the existing level of domestic fuel prices, the results of estimates may, in a number of cases, prove not to favor the introduction of new designs and, consequently, the creation of new completing equipment. Unless industry develops this equipment, however, particularly in consideration of the prospect of a rise in fuel costs, it will prove almost impossible to solve the problem of creating ships of the future that are competitive on the world market.

The diesel building industry (Bryanskii Machine Building Plant Production Association) has now developed the output of new generations of low-speed ship diesels, conforming to the world technical level. Testing of a new type of powerful medium-speed engine (Russkiy Dizel Production Association) is being completed, and, beginning in the 13th Five-Year Plan, series production of these diesels, in no way inferior to foreign analogs, will be started. A license has been acquired and construction begun on a plant to produce SOD with improved parameters, virtually covering the range of power corresponding to the needs of maritime transport shipbuilding for diesel-generators. On the whole, however, the problem of providing ships to be built in the future with basic completing power equipment cannot be considered solved [2]. For example, work on developing the production of turbocompound systems for low-speed diesels has not been started, the possibility of present-day output of new, modernized types of diesel generators is in doubt, the problem of output of shaft-driven generator systems has not been solved, the problem of providing completing automated systems to prepare and clean heavy, low-grade fuels has not been solved, and work is being done slowly on creating economical and reliable auxiliary and recovery boilers and desalination units.

Gas turbine power units (GTU). The factors holding back widespread use of gas turbine units on ships of the maritime transport fleet are the relatively expensive fuel and its specific consumption, higher than that of DEU. Due to the low weight and size, as well as the relative simplicity of the unit's repair, the main sphere of use of ship EU of this type remains maritime ships with dynamic support principles. GTU may also prove to be preferable for certain types of maritime transport ships in case high unit power is needed in an engine room with limited size. An example of this technical approach is the M25 type GTU, being successfully operated in the last few years on the series of two-shaft ships with horizontal cargo-processing, of the Kapitan Smirnov type. Each of the two main gas turbine units of this ship consists of an automatic reversible gas turbine engine, a reducing gear, a steam heat-recovery circuit and their auxiliary mechanisms and devices, and ensures, under rated conditions, a specific fuel consumption of 256 g/(kw-hr).

The basic problems in the sphere of ship gas turbine building in the near future will be: increasing the overhaul life of the GTU and ensuring long, reliable operation, under maritime conditions, of the gas turbines and steam heat-recovery loops, a reduction in the specific fuel consumption through increasing the efficiency of the heat-recovery, as well as solving the problem of using inexpensive heavy fuels in the GTU, without which the competitiveness of these units over DEU cannot be achieved. In the next 10 years we may expect the development of GTU with a heat-recovery circuit with a power above 6000 kw, with specific fuel consumption for the unit 190-218 g/(kw-hr) and a specific mass of 11-13.5 kg/kw.

Nuclear power units (AEU). As we know, the use of atomic power makes it possible to realize virtually unlimited sailing distance for ships without replenishing fuel reserves, and high available power per operation, which is particularly necessary for ships operated in Arctic regions. The development of transport ships with AEU, as technical-economic calculations show, at today's domestic prices for petroleum fuels, is expedient for power on propeller shafts over 30-33 MW.

An important aspect of developing and improving ship AEU at the present time is the problem of the operational safety of nuclear-powered ships, in connection with the accidents taking place in stationary nuclear power engineering, and the public's guarded attitude toward its development [3]. Although the problems of technical approaches to ship and stationary nuclear power engineering, different in principle, are a subject for an independent discussion, we will note some of the special safety features of ship AEU.

The USSR has accumulated 30 years of experience in the construction and safe operation of the nuclear-powered icebreaker fleet. In general, the set of measures ensuring a normal radiation situation on the ship and the virtual absence of radiation effect on the environment includes a biological shield to reduce the flows of neutrons and gamma-rays that form during the work of the reactor, and also systems and devices for reliable dissipation of the heat from the active zone, preventing hazardous nuclear situations and dispersion of radioactive substances on the ship and into the environment. When the first domestic nuclear-powered LASH ship, Sevmorput, went into operation in 1989, in accordance with the international code of the IMO, four safety barriers were specified between the nuclear fuel and the environment [4]. Specified in addition to the usual two barriers for water-moderated water-cooled reactors (casings for the heat-emitting elements and a strong first reactor loop) were: a containment envelope with its own safety systems, selected for extreme emergency conditions involving containment failure of the pipeline or sinking of the ship (third barrier), and a protective shield (fourth barrier) to prevent dispersion of radioactive substances from all sources to other parts of the ship. The analysis made shows that the system and structural solutions,

biological shield and safety barriers and the organizational measures for the sanitary throughput conditions on the LASH ship Sevmorput satisfy modern international requirements to guarantee the safety of nuclear-powered ships. Also important is the fact that ship AEU use a well-tried water-moderated water-cooled reactor, which differs substantially from most of the reactors used in stationary power engineering.

At the same time, for ship AEU, just as for any complex power engineering system, regardless of the type of fuel, work must naturally be continued on its safety, particularly in consideration of the changing requirements and operating experience of both ship and stationary systems for a different purpose. For example, even greater attention, in consideration of the experience of stationary power engineering, should be paid to analyzing the planned accidents, evaluating the probability of so-called "hypothetical" emergency situations, i.e., the maximally possible, low-probability accidents with extreme situations, and to developing, when necessary, additional safety measures.

Improving ship AEU will also take the path of improving their large-scale characteristics and simplifying service through a transition from the unit to the integrated system of designing the steam-producing part of the unit, raising profitability through improving the operating and maneuvering characteristics of the active zone and measures to increase the economy of the unit. Among the latter, depending on the type of ship, the following may be used:

- highly developed regenerative heat systems using the steam bleed-off from the main turbine;
- drawing electric power from the main generator to drive auxiliary mechanisms;
- auxiliary electric generators mounted on the main turbines;
- electric drives of the auxiliary mechanisms, in particular compressors of the pneumatic washing-down system and feed pumps.

Problems of the further development of power units. In discussing the stage of the more distant future of the development of power engineering for the ships of the future, it should be emphasized that the basic, traditional directions of increasing the economy and realizing other requirements on the basis of well known technical approaches have been virtually exhausted.

The development of electric power systems and EU for ships, for which it is expedient to use electric propulsion, can, on the boundary of the next century, involve the use of the effect of high-temperature superconductivity. Developments in the USSR and a number of foreign countries of superconductive materials with critical transition temperatures substantially exceeding the helium level (4.2-4.5K), establish the possibility in principle of developing, in the future, industrial superconductors

suitable for use in heavy-current electrical systems. The transition to a new cryostating temperature level will make possible a substantial improvement in the weight-size and economical indicators of the systems and engines. At the same time, it is important to reduce the specific power of the cryogenic support system, reduce its volume and weight several-fold and also simplify the systems through using liquid nitrogen instead of the expensive and free-flowing helium.

Work on developing combined diesels with substantially reduced dissemination of heat into the cooling system through thermal insulation of the elements may yield a definite effect. As a result of this solution, there may be a rise in the temperature in the cylinder and in the energy of the exhaust gases, effectively actuated in the turbine of the turbocompressor and the additional power turbine. Of course, it will hardly be possible to develop large ship diesels as fully adiabatic machines. The problem can be solved, however, of the substantial limitation in the amount of heat removed from the parts, forming a combustion chamber, and from the exhaust pipeline, which should give a 15-20% increase in the economy of the turbopiston engine over the ordinary boosted diesel with similar power. The development of a ship engine with limited heat dissemination requires a solution to the quite complicated problems of new structural materials and manufacturing technology (including composite parts using ceramic elements).

The problem of providing the fleet with fuel-power resources will be an important one in the future. The fleet's fuel consumption is not a decisive factor in the overall balance of fuel-power resources and is estimated as 3-4% of the country's total need for it. At the same time, the predicted rise in cost and increase in scarcity of liquid petroleum fuels will lead to their place in the overall balance of primary power sources being increasingly taken over by other types of fuel, alternatives to petroleum, in the relatively near future.

A comparison of the basic characteristics of nontraditional types of fuel, based on ship requirements, shows that in the future, for ship EU, it will be expedient to aim at the use of synthetic liquid fuels (SZhT), produced from hard coal or combustible oil shale [5]. The other types of new fuels are suitable for partial, limited spheres of ship power, as for example, coal fuels (if the cost is relatively low)—for high-tonnage transport ships on certain routes, hydrogen (if efficient storage systems are developed)—for ships with dynamic support principles, methane—for liquid gas carriers, in order to recover the loss of evaporated cargo, and natural gas—for small river ships.

The overall complex of problems to be solved to ensure operating ship EU on new types of fuels will be encompassed by the following groups of problems:

- working out technology and developing mass commodity production of fuels made of readily available

- raw material, by methods justified from the stand-point of economy and power engineering;
- developing highly efficient systems of storage and use of the new fuels under ship conditions;
 - optimizing the EU systems and parameters as applied to the new types of fuel for ships with various purposes;
 - working out ship systems of preparing and refining fuels;
 - properly adjusting various types of ship engines for operation on the new types of fuels.

The problems presented by no means exhaust all the aspects of ship EU development for the remote future. Still urgent are problems of reliability and technical diagnostics, making it possible to increase the period of efficient operation of the ship, an efficient amount of automation, a reduction in the number of service personnel, unit repair and a number of others, which are a topic for special discussion.

Conclusion. An analysis of the set of problems involved in the power engineering of ships of the future makes it possible to draw the following conclusion.

Prediction of the most important ways to improve ship EU is most reliable for the medium-term future, i.e., a period of not over 10 years. In this case the EU of ships of the future should be regarded primarily as the next generation in a continuous chain of development of ship power engineering.

As in this period, so in the more remote future, DEU will be used for the overwhelming majority of maritime transport ships.

The basic directions for improving ship DEU in the near future are: lowering fuel consumption, reducing the labor-intensiveness of service and increasing the ecological purity of the units.

Gas turbine and nuclear EU will continue to be used for a number of individual types of ships for special purposes, primarily, respectively, on large ships with dynamic support principles, icebreakers and ships with increased cruising capacity.

The development of ship GTU in the near future is related to the need to improve their economy through raising the level of fuel utilization, and nuclear-powered—to solving the problems of further guaranteeing safe operation.

For the purposes of developing ship power engineering in the relatively remote future, it is expedient to expand work on ship DEU based on diesels with limited heat dissemination, on adapting GTU for the use of low-grade fuels, on ensuring the operation of ship EU using nontraditional types of fuels and on developing EU that use the effect of high-temperature superconductivity.

Footnotes

1. The results of systematizing foreign predictions of the development of ship EU in the period 1975-1990, prepared in 1973 by O.F. Klimov, I.V. Lendenska, V.G. Pavlov and P.G. Sheyko, are used.

2. MAN-B and V Diesel.

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Shipyard Activity Reported

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[Article prepared by A.N. Khaustov: "At the Shipbuilding Enterprises"]

[Text]

The Krasnoye Sormovo Yard Production Association

The perspectives for increasing the output of consumer goods in the association under the conditions of full cost accounting and restructuring of the production process were discussed on 12 July of last year at the out-of-town collegium of the ministry. The meeting, which was conducted by I.V. Koksanov, minister of the Shipbuilding Industry, took place in the new wing of the Volna Washing Machine Plant, which is entering the association. Since its first section was put into operation, the output of this product, needed by the people, has been gradually increasing, and in 1990 it should reach 200,000 units a year. The construction of the facilities of the second section—a laboratory wing, dining hall, gas-cleaning plant and also the installation of a complete set of equipment will bring the enterprise to the planned capacity of 220,000 machines. Right now they are manufacturing washing machines of the Volna-2M type category, but beginning in 1991 they will make the transition to the output of a new Volna-7 automatic

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machine. Not long before the out-of-town collegium of the ministry, the two-millionth washing machine came off the conveyer of the machine-assembly shop, and as a matter of fact, they have been producing them here for 30 years now.

The Okean Shipbuilding Yard

Last year, two export ships were built at the yard—ore carriers, supplied through the Sudoeksport All-Union Association to the Norwegian purchaser. The currency funds for these ships will be primarily directed toward updating the obsolete, physically worn-out equipment, which was not always admissible or possible for a domestic yard to replace. At present, 66.3 percent of the machine tools at the plant are 15-20 years old. The very modern machine tools and instruments acquired should ensure an increase in labor productivity and an improvement in the work and standards of production, as well as the ecological purity of the technological processes. In addition, 10 percent of the earned currency withholdings will be spent to purchase consumer goods, medication and medical equipment, and to reinforce the material-technical base of the yard's social and cultural sphere. Granting the enterprises the right to go out on the foreign market independently and conclude contracts with foreign firms will open up new opportunities for the work collectives.

The Baltiyskiy Yard Production Association

On 25 June 1989, the send-off ceremony was held for the yard to take leave of the nuclear-powered icebreaker *Taymyr*—the first-comer of Soviet-Finnish cooperation in creating these very complex ships for Arctic navigation. Shipbuilders, equipment adjusters and journalists came to say goodbye to the nuclear-powered ship. V. Shershnev, general director of the Baltiyskiy Yard Production Association, and Sumolaynen, president of the Wartsila Marine firm, were here. Almost 10 years had passed since 1980, when the basic technical-operational requirements, which this powerful nuclear-powered ship had to meet, had been turned over to the firm. Two years later, the pre-contract design was ready, and then the contract was signed in 1984. At the end of 1987 the ship went to Leningrad for work to be done on the central power compartment and for the nuclear steam-producing unit to be installed. Then N. Krylov, captain of the *Taymyr*, gave the command to remove the gangplank. The icebreaker set off for underway trials in the Tallinn region, and from there it would go to Murmansk, the port of registry. (The ship was turned over to the commission of the Murmansk Maritime Shipping Company on 30 June).

Kherson Shipbuilding Production Association imeni 60-letiye Leninskogo Komsomola

After one-and-a-half years of operation, the diesel-electric ship *Vladimir Arsenyev*—the third ship of a series of multi-purpose icebreaker-transport supply ships of the Vitus Bering type—returned to Kherson. At the

mooring wall of the builder-yard, the cargo devices were replaced: instead of two cranes with a load-lifting capacity of 12.5 tons each, two cranes with twice as much load-lifting capacity—25 tons each—were installed. The former power of the cargo device did not satisfy the seamen, and the boom length was insufficient. Now labor productivity in loading-unloading operations is considerably increasing. Equipment to receive television programs by satellite was also installed on the ship.

The Feodosiye Production Association imeni 26th CPSU Congress

The association is constantly working to improve production. For example, in 1988, 129 different measures were introduced, and the economic effect was estimated at 1,360,000 rubles. Among the innovations are four completely mechanized sections, the first section of an automated machine building production system, four machine tools with digital program control, three industrial robot complexes and the mechanized automated machines Ritm-3 and Ritm-4 to weld very thick parts. Advanced industrial processes are being used in construction of the hydrofoil *Voskhod*. Competitive inspections among the subdivisions and specialists for conferment of the honorary title "Enthusiast of Scientific-Technical Progress" and monetary awards for the year's results have become traditional. With the transition to cost accounting, however, new problems have arisen in the sphere of scientific-technical progress. Among them are those such as the reduction in the funds allotted to acquire equipment and capital for industrial outfitting and for reequipment of the existing production. Under these conditions, attention has mainly been turned toward efficient use of machine tools and instruments, careful counting of downtimes, and a monthly analysis of data on the loading of the equipment.

The Leningrad Admiralty Association

The transition of the LAO, on 1 January 1989, to the first model of cost accounting proved on the whole to have a positive effect on the collective's production activity. The next steps in the direction of economic independence are the second model and leasing. The economists of the association and the LKI [Leningrad Shipbuilding Institute] worked out the principles of converting the two shops producing consumer goods to experimental introduction of leasing, since these are the precise subdivisions that produce up to 90 percent of the products in the form of finished goods. With the transition to leasing, two funds are being formed—wage and social development—through which deductions are made from the revenue for manufactured output for lease payment, amortization deductions, expenditures for transport, energy resources, etc. In three months, payment has been made of an advance amounting to 85 percent of the average wage for last year (allowing for all the bonuses and additional payments), and then at the end of the quarter the money remaining from the wage fund is distributed among the workers. The fund for social development remains completely in the shop. It

can be used, for example, to organize catering free of charge, acquire travel cards, pay for travel authorizations, etc. In addition, the shop can have at its disposal, at its own discretion, all the materials, unsalable items, and wastes that have been saved. In accordance with the agreement, the association is obliged to make up for losses connected with undersupplied materials or planning costs. The experiment also specifies covering losses from the association's funds, if at the end of the year the average wage of the workers proves to be lower than the estimated level.

Central Scientific Research Institute imeni Academician A.N. Krylov

Students of this institute, in collaboration with specialists from the Institute of Oceanology of the USSR Academy of Sciences, TsNIIMF [Central Scientific Research Institute of the Maritime Fleet] and the Finnish firm Hollming, have developed an ecologically pure auxiliary wind motor—a multi-sectional sail. Its special feature is the high aerodynamic efficiency (two-three-fold higher than traditional sails), operational safety, simplicity of service and small size, which does not prevent performing loading-unloading operations, the possibility of automating control and the technological feasibility of manufacture. In the course of the studies, various modifications of the rigid sail equipment were tested in a wind tunnel. The first set of the multi-sectional sail, which is a system of rigid wings with a unique profile, was installed on the scientific research ship Akademik Ioffe. The weight of a single wing element, with a chord of 2 m and a span of 10 m, is 250 kg, and the total weight of the sail with the control mechanisms is 7.5 tons. An emergency system is specified, ensuring instant reduction of the wind load by a factor of 3-5 to eliminate breaks during sudden gusts of wind. The sail is remote controlled, and under stormy conditions or whenever else necessary, it folds up on the deck. Using this auxiliary sail will contribute to fuel economy on a ship.

Khabarovsk Branch of the TsNIITS [Central Scientific Research Institute of Shipbuilding Technology]

A considerable number of the developments of the branch's specialists consist of devices to mechanize and automate production processes. Machine tools to machine the ends of pipes, small winches and block-and-tackles, nut-drivers, automatic pipe-welding machines, magnetic tools, all-purpose devices for assembly work, flow lines for measured pipe-cutting—these and other developments are used at many of the sector's enterprises. Portable machine tools of the Moskit type are highly efficient for machining openings in ship bedplates under installation conditions. They make it possible to bore openings, cut a groove in them, and to countersink, expand and undercut the ends. The machine tools are put together from functional units, highly standardized. They drew the attention of a number of American firms at the commercial exhibition, "Cooperation Through Trade," which took place in

December 1988 in New York, where the All-Union Foreign Economic Association Sudoeksport presented equipment for the shipbuilding industry, created that year, for the first time.

Leningrad Petroleum Plant

A sociological study made by means of questionnaires drawn up by the Institute of Sociology of the USSR Academy of Sciences showed that most of the plant workers consider perestroika to be a necessary measure, caused by the objective state of affairs. The considerable achievements of perestroika are the expanding of glasnost, positive changes in international policy, the introduction of a new system of elections, and abolishing the limit on subscription publications. Recently, however, the situation in the economic sphere has even deteriorated, and virtually nothing has been done to increase the activity and interest of the workers, combat irresponsibility and bureaucracy and ensure social justice. It was noted in the questionnaires that conditions are still lacking to make people reorganize, that talk is substituted for real deeds and that the essence of the policy of perestroika is being misrepresented at the sites. In order to overcome the decades of inertia that have been produced, there must, in the first place, be true independence of the enterprises, and, in the second place, strict responsibility of the directors for the results of the economic activity of the collectives. Perestroika at the enterprise, in the opinion of those queried, should begin by improving labor organization, imposing order and discipline, changing the wage system, strengthening the management and increasing its responsibility.

Yard imeni 61 Kommunar

A creative search for inventors and efficiency experts is very important for improving production. In 1988 alone, they handed in 1252 applications for efficiency suggestions. Over 20 rubles were obtained per ruble invested in innovative activity. The figures for resources saved were quite solid: ferrous and nonferrous metals—312.1 tons, fuel—780.1 tons, timber—218.7 m³, electric power—732,800 kw-hrs, paint—7.9 tons, and electrodes and welding wire—6.6 tons. Among the most efficient work of the innovators were—"Change the structure of the main routes" (A.S. Kravtsov and V.V. Yakovenko), "Change the interpolator circuits of the Takt coordinatograph" (N.Ya. Voypan), "Change the control circuits of the electric engines" (V.P. Svitich and V.A. Bezushko), "An instrument to measure the parameters of an infrared ray source" (S.A. Gurskiy). At the same time, the results of the activity of the efficiency experts and inventors indicate a need to introduce improved material incentives. After all, only 70,500 rubles were spent in 1988 to encourage the innovators, promote their activity, and hold competitions and reviews, while the economic effect from production use of 462 efficiency suggestions and six inventions exceeded 1.5 million rubles. This obviously has an effect on reducing the number of workers suggesting innovations: in 1985 there were 1294 persons, and three years later—908 persons.

Without a doubt, each valuable suggestion, yielding a significant effect, should be well rewarded.

Yaroslavskiy Shipyard

Among the problems discussed at the meetings of the council of the yard's work collective is the distribution of bonuses for ships built. After the discussion in the work collectives in the middle of last year, a resolution was adopted to pay a one-time benefit of 150 rubles to pensioners-veterans of the yard, who have a pension under 80 rubles. For material incentive to the yard's workers for honest and conscientious labor, additional incentive was specified for the October anniversary, in accordance with the article on "material assistance." Introduced at the same time were coefficients of the rate (wage), depending on the length of service: with a service period of 3-5 years for workers in the main shops—0.8 (the rest of the workers—0.6), 5-10 years—1 (0.7), 10-15 years—1.2 (0.8), 15-20 years—1.4 (0.9), over 20 years—1.5 (1). Also adopted were the proposals of the shops to issue interest-free loans to young families, subsidies for catering in the yard dining hall and sports activities in health groups, on paying for additional leave for machine-tool operators and benders, and on partial payment for leaves for women, offered to them to raise children to the age of two years. The proposal for a 15-percent increase in the thirteenth-month wage for workers who had not had medical certificates during the year was not adopted, since this redistribution could be carried out only at the cost of sick people, who as a rule included elderly labor veterans.

The Navashinskiy Oka Shipbuilding Yard

Last June the yard had its workers fill out a questionnaire in order to determine public opinion on the personnel policy carried out at the enterprise. To the question, what is your attitude toward elections for director of the yard and other directors, 67.4 percent of those filling out questionnaires replied that elections were necessary and 10.5 percent felt that the directors should be appointed. At the same time, 16.7 percent of those queried noted the unpreparedness of the collective at the present time to hold elections for directors. Those who regarded elections to be unnecessary and a replacement of management useless proved to be in the minority (about 5 percent). Some 66.3 percent of those queried gave a positive evaluation of the technical and production competence of the directors of the shops and divisions, and 18.7 percent of the answers were negative. The opinion of those filling out the questionnaire was divided approximately equally in answering the question, as to whether to invite to the post of director a specialist "from outside", and 35.7 percent noted the negative points in the interrelations between the chief and the subordinates. The questionnaire also gave the family names of yard workers who, in the opinion of those queried, are best suited to the post of director, secretary of the Party committee and chairmen of the trade union committee and council of the work collective.

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